Austria Sch22	Indonesia Rp3100	Philippines Peso40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel IS3.50	S.Arabia SR7.00
Canada C$1.00	Italy L1700	Singapore S$4.10
Cyprus C£0.90	Japan Y400	Spain Pta145
Denmark DKr10.00	Jordan Fils.500	Sri Lanka Rup30
Egypt E£2.25	Kuwait Fils.500	Sweden SKr9.00
Finland Fmk7.00	Lebanon £L250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan NT$85
Germany DM2.30	Malaysia Rlm4.25	Thailand Bht50
Greece Dr120	Mexico Pe300	Tunisia Din0.800
Hong Kong HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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MEXICO
New administration embraces austerity
Page 24

World News

EC presses US to give entry visa to Arafat

The EC, on the eve of the European Community summit on Rhodes, urged the US to grant Palestine Liberation Organisation chairman Yassir Arafat a visa allowing him to address the United Nations in New York. Rhodes summit Page 2

Sri Lanka attack
At least four people were killed, and 50 injured, in an attack on an opposition election rally of the People's Party near Colombo. Reported killed in the attack was party vice-president Bandara Senaratna. Background Page 6

Cyclone search
Ships of the Bangladesh and Indian navies scoured the Bay of Bengal for thousands of fishermen and islanders missing after a cyclone and tidal waves killed at least 700 people.

Nuclear writ
Philippine Government is suing Westinghouse Electric over claims that the US company paid bribes that benefited former President Marcos to procure a contract to build a $2.1bn nuclear power station. Page 8

Peru wage strike
Peruvian workers staged a one day strike demanding higher wages and an end to food shortages. Page 5

Fieldhouse ill
Chief of Britain's defence staff, Sir John Fieldhouse, 60, underwent emergency surgery after falling ill at a Nato meeting in Brussels.

Sydney ultimatum
Australia will close the Yugoslav consulate in Sydney if the person who shot a 16-year-old Croatian youth during a demonstration is not handed over to Australian police in 24 hours.

Strike escalates
The army called in an extra 180 trucks to ferry stranded commuters into Paris but officials said soldiers were fighting a losing battle against the spreading transport strike.

Labour blocks Likud
Israeli Prime Minister Yitzhak Shamir and rival Foreign Minister Shimon Peres scrambled to woo ultra-orthodox religious politicians after Peres's Labour party spurned a coalition with Likud. Page 6

Execution delayed
India's Supreme Court delayed the execution of two Sikhs condemned to hang for the 1984 assassination of Prime Minister Indira Gandhi. The court's decision gave them at least five more days of life.

Acid attack
A Jewish holocaust survivor hurled acid in the face of an Israeli attorney for convicted Nazi murderer John Demjanjuk at a funeral for another defence lawyer.

Mafia arrests
More than 200 people arrested in a joint anti-Mafia operation in Italy and the US on drug charges.

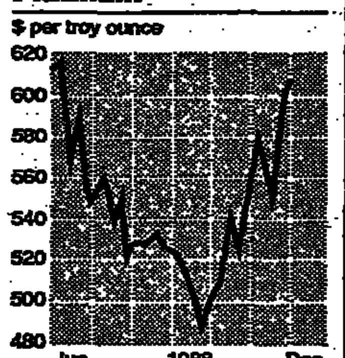
Table Mt fire
Firemen and army units battled to control a forest fire which swept across Cape Town's Table Mountain destroying hundreds of hectares of vegetation and pine trees.

Business Summary

Gen Cinema to sell soft drinks unit for $1.5bn

GENERAL Cinema, US group, announced it planned to sell its US soft drinks bottling business to PepsiCo, the second largest drinks group in the world, for $1.5bn. Page 25

PLATINUM price rose strongly again in London to reach $610.50 an ounce, having moved up from $589 on Monday. However, some profit-taking in New York later in the day caused the London price to ease back and it closed at $608.75 an ounce, $7.75 up from Wednesday's level. Page 40



MAXWELL Communication, public company of Mr Robert Maxwell, the British publisher, announced the sale of three units of Macmillan less than than a month after he told employees of the New York publishing house he had no intention of breaking it up. Page 25

AMERICAN Telephone and Telegraph, dominant US telecommunications group, will report the first annual loss in its 103-year history following a $6.7bn pre-tax write-off of obsolete equipment. Page 25

ASEA BROWN BOVERI, electrical engineering group, reported a pre-tax profit of $358m for the first nine months of the year. Page 27

SOCIETE GENERALE de Belgique, Belgium's largest holding company, is restructuring its interests in international trading in an attempt to restore its Générale Trading subsidiary to profit in 1989. Page 26

HITACHI, Japanese consumer electronics group, reported worldwide net profits up 52 per cent to Y84.9bn ($695m) in the six months to September, on sales which rose 12 per cent to Y3,117bn. Page 28

EULABANK, London-based consortium bank specialising in Latin America, has raised an additional $205m in capital from its shareholders to enable it to increase its provisions against Third World loans. Page 30

INDUSTRIAL EQUITY, Sir Ron Brierley's Sydney-based company, gained control of Woolworths, the Australian retailer for which it launched a takeover bid 10 days ago. Page 28

NOMURA Securities, world's biggest securities company, reported the biggest interim pretax profits of any Japanese company, confirming the growing dominance of the country's financial groups. Page 28

BERLINER HANDELS- und Frankfurter Bank increased partial operating profits by 3.2 per cent in the first 10 months of 1988 to DM128m ($73.9m) from DM124m in the year-earlier period. Page 27

BAXTER International, has emerged from the last five turbulent years in the US healthcare industry as the country's major hospital supplier, and has its eyes firmly set on overseas growth. Page 26

BOMBARDIER, Canada's leading heavy transport equipment and aerospace group, improved performance in both the third quarter and first nine months of 1988. Page 26

Gorbachev secures resounding victory for radical reform

By Quentin Peel in Moscow

THE Supreme Soviet of the USSR yesterday gave resounding – albeit not quite unanimous – support to the first key package of radical constitutional reforms proposed by Mr Mikhail Gorbachev, the Soviet leader.

As a result, the Supreme Soviet, until now little more than a rubber-stamping body for the decisions of the Communist Party leadership, has in effect voted itself out of office and paved the way for a new style of elections on March 26 next year and a quite different parliamentary system.

Major elements in the reforms involve multi-candidate elections, new rules for nomination, the creation of a standing parliament to supervise the executive authorities and a constitutional control committee to prevent the abuse of power.

In spite of substantial amendments, however, the reforms failed to win the wholehearted support of the dissident Baltic republics, where strong nationalist movements are still seeking real devolution of power from the centralised Soviet state.

In an open display of revolt, five deputies voted against the constitutional reforms, while 27 abstained, showing that doubts remain about a system which will introduce a two-tier parliament and a new executive president with sweeping authority – a post Mr Gorbachev is expected to assume.

Critics say that the new super-parliament, the Congress of Deputies, will have an adverse effect on democracy by itself electing the new Supreme Soviet from its own ranks – thus diluting any dissident elements. It will also reserve one third of its seats for organisations such as trade unions, the Communist Youth League, and the Communist Party itself, thus guaranteeing disproportionate representation for such like-minded bodies.

However, Mr Gorbachev managed to win many of the dissenters back on board with amendments guaranteeing a bigger role for the Soviet Union's 15 constituent repub-

Continued on Page 24
Kremlin plays its cards close to its chest, Page 2

Azeris demonstrate in Baku against Armenian claims on the disputed territory of Nagorno-Karabakh

Main constitutional changes:
- Creation of a two-tier Parliament includig a standing Parliament with real powers to supervise the executive
- Creation of a powerful executive President (likely to be Mr Gorbachev) who may, however, be ousted by Parliament
- Multi-candidate elections to be the norm
- Reserved seats in the super-Parliament for "social organisations" such as trade unions
- Martial law may be decreed only in consultation with the republics

Perestroika at 'critical' stage

By John Lloyd in Moscow

A SENIOR Soviet economist has said perestroika (restructuring) is now "at a critical stage" and that the optimism over its success which had been common in government circles has now been replaced by a realisation that it could take "decades" for real improvements to come through.

Professor Leonid Abalkin, head of the Institute of the Economy at the Academy of Sciences, said that price reform had now been indefinitely delayed and that it would not currently be a good idea because of the faltering state of the economy.

His frank remarks were the more remarkable because they were made in the presence of US economists and industrialists who were participating in a US-Soviet forum. They reflect a view which Prof. Abalkin has held for some months and which he has already partly exposed in articles and interviews.

Prof. Abalkin said that the serious problems now confronting the Soviet Union could not be solved in parts. "The initial idea of price reform which was approved last year by the Central Committee (of the Communist Party) assumed structural changes based on economic growth," he said.

"But in 1988 growth fell off. This year the situation of the Soviet economy is getting more and more serious, especially in the consumer market," the economist added.

"Serious disproportions have arisen," he said. Of the two elements in price reform – an administrative act changing the level of prices, and a new structure of prices based on

Continued on Page 24

Nato report calls for increased resources and value for money

By David White in Brussels

A STUDY of Nato defence efforts points to "glaring" differences between member countries and calls both for more resources and for more efficient use of the money.

The Nato report, approved by defence ministers at a Defence Planning Committee meeting here yesterday, has been welcomed by the US, which can use it to demonstrate to members of Congress that the contentious "burden-sharing" issue is being taken seriously.

"Particular efforts" are called for from some low-spending allies.

The UK, which has announced a rise in military spending in real terms over the next three years, is urged to make further increases and to do more to obtain greater efficiency and value for money.

Denmark and Belgium, the two members most frequently criticised for their contribution, are told they need sustained spending growth and large capital investments. The Netherlands and Luxembourg also need to raise spending, the report says, and Italy, Norway and Portugal to make greater efforts to modernise.

The report expresses concern about a possible slippage in West German capabilities, and warns Spain that it might have underestimated the cost of bringing its forces up to Nato standards.

The US, which continues to spend more than 6 per cent of its gross domestic product on defence, far ahead of the other allies, and which has had the highest annual growth in the last five years, is asked to maintain what the report calls "exemplary standards."

The report highlights "wide disparities" not only in the resources given to defence but also in countries' response to allied goals for their forces, in the extent to which their forces are kept up to date and can be sustained, and in their help to the three industrially weakest members – Greece, Turkey and Portugal.

It says there is scope for a number of allies to do more in all these areas, and emphasises the need for greater assistance to Turkey, which already spends about as much of its national resources on defence as Britain.

It calls for more co-operation on armaments, more spending on ammunition stocks, especially in the southern region, and greater consultation and concertation in activities outside the Nato area. These have all been important US demands.

However, the report argues the case of Europe and Canada in putting forward a range of considerations other than the percentage of gross domestic product spent on defence, which is the core of the US campaign.

Buyers queue up for stake in British Steel

By Philip Coggan in London

BRITISH STEEL'S public offer looks set to be oversubscribed when applications close at 10am today.

By early evening yesterday, the offer had attracted around 400,000 applications from the investing public, employees and BS pensioners. On the basis of an average of 1,260 shares per application, the target total of 460m shares under the offer has already been passed.

This morning will bring a fresh batch of post, some hand-delivered forms and applications from some investment institutions. Expectations were that the final total of applicants might be 500,000.

An oversubscribed offer will be a great relief to the Government, after the bad trade figures and interest rate rise last week appeared to have jeopardised the success of the issue.

The offer was priced at 125p per share, at the lowest end of expectations, in an attempt to maximise investor demand and dispel memories of British Petroleum's disastrous offer last year. The Government was keen to resuscitate the privatisation programme ahead of the much larger electricity and water issues.

However, this week's wobbly stock market has sharply reduced expectations of the premium which British Steel shares will attract when dealings commence on Monday. Early estimates, before the trade figures, had concentrated on a 15p-20p premium on the 60p first instalment price. However, IG Index, which is making a book on the premium at Monday's close, was yesterday quoting a spread of 61½-64¼p.

Such a premium would mean very little, if any, profit for the stags which might ironically save the Government from criticisms that the £2.5bn ($4.6bn) price it set for British Steel was too cheap.

Even if British Steel receives as many as 500,000 applicants, it will still be much less successful than most of the privatisation and major public offers over the past few years. Only the crash-affected BP and Eurotunnel offers attracted less interest.

But a late surge of interest has saved the offer from disaster. It seems that many investors followed press advice to wait until the last minute before applying, in case some disaster occurred in the stock

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RJR Nabisco shares fall as merger agreed

By Anatole Kaletsky in New York

THE SHARE price of RJR Nabisco fell unexpectedly on Wall Street yesterday morning, as arbitrageurs and investors reacted with consternation to the apparent outcome of the record-breaking auction for the large tobacco and foods conglomerate.

News that the RJR board had signed a merger agreement, said to be worth $109 a share or $25.1bn in total, with Kohlberg Kravis Roberts, the leading US leveraged buyout group, failed to impress the stockmarket. Doubts arose as to the bid's true value, the judgment of RJR directors and as to the possibility of legal action delaying completion of the takeover.

RJR's shares fell at first by as much as $2 when Wall Street opened, before settling by lunchtime at $92¼, which was $¾ below Wednesday night's close and almost 20 per cent less than the nominal price of the KKR deal.

The main reason for the big gap between the RJR's stockmarket price and the deal's stated value was the large non-cash element in the KKR proposal.

KKR agreed to pay only $81 in cash for each RJR share. The remaining $28 of the stated price would consist of risky junk bond securities – $18 worth of "exchangeable preferred stock" plus debentures, convertible into a 25 per cent equity stake in the reorganised tobacco division of RJR, which KKR said would command a market value of $10.

Arbitrageurs noted these securities could turn out to be worth less than stated and were impossible to value accurately until full details of the terms were released.

The uncertain nature of these securities also led to concerns about legal action, since the cash element appeared to have been larger in the eleventh-hour bid which was proposed by RJR's chief executive, Mr Ross Johnson, and rejected on Wednesday night by the board.

Mr Johnson, whose buyout group was backed by Shearson Lehman Hutton and Salomon Brothers, valued his final offer at $112 a share, including a cash element of $84. He also offered $24 worth of preferred stock, plus debentures convertible into a 15 per cent stake in the tobacco business which it said would be worth $4.

To add to the confusion, the cash elements in both bidders' final offers were smaller than in one of the proposals submitted two weeks ago, when Mr Johnson was willing to pay $90 in cash plus $10 in securities.

In effect, both bidders were calling on RJR's shareholders to lend them more of the money they required to finance higher offers.

In opting for KKR in preference to the Johnson group, RJR said it had viewed the value of the two offers as "substantially equivalent," but determined that the KKR proposal would be "in the best interests of the company and its shareholders."

This unusual statement appeared to leave open the possibility of legal action by Mr Johnson's group or RJR shareholders who disagreed with the board's financial determination.

Benazir Bhutto named as Pakistan Prime Minister

By Christina Lamb in Rawalpindi

BENAZIR BHUTTO, leader of the Pakistan People's Party, was named Prime Minister of Pakistan yesterday and thus became the first female leader of an Islamic country.

The announcement by Mr Ghulam Ishaq Khan, acting President, ended 15 days of suspense for the nation since the general election in which the PPP emerged as the largest party with 93 seats, but failed to win an outright majority in the 207-seat National Assembly.

For Ms Bhutto it marked the end of 11 years in a political wilderness since the overthrow and subsequent execution of her father, the late Prime Minister Mr Zulfikhar Ali Bhutto. The elections were held following the death of President Zia ul-Haq, Pakistan's former military ruler, in a mysterious air crash in August.

The news came as little surprise. Earlier this week the PPP secured a majority in the National Assembly after reach-

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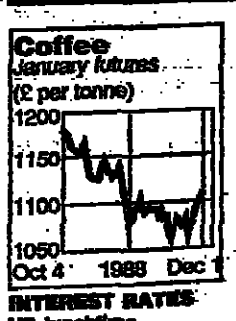
MARKETS



INTEREST RATES
US lunchtime
Federal Funds 8½% (8½)
3-mth Treasury Bills: yield: 8.088% (8.087)
Long Bond: 99½ (99⅝)
yield: 9.045% (9.063)
London
3-month interbank: close 13⅛% (same)

STERLING
New York close
$1.853 (1.8535)
London:
$1.853 (1.8505)
DM3.21 (3.2125)
FFr10.975 (10.9775)
SFr2.69 (2.69)
Y225.25 (225.5)

DOLLAR
New York close
DM1.731 (1.73125)
FFr5.912 (5.91225)
SFr1.451 (1.44925)
Y121.425 (121.475)
London:
DM1.7325 (1.736)
FFr5.9225 (5.9325)
SFr1.452 (1.453)
Y121.6 (121.9)

GOLD
New York latest
Comex Feb
$428.5 (429.6)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,101.88 (+26.03)
S&P Comp 272.48 (-1.22)
London:
FT-SE 100 1,778.7 (-13.7)
World: 138.59 (Wed)
Tokyo
Nikkei Ave 29,541.46 (-37.44)
Frankfurt
Commerzbank 1,591.2 (+8.7)

OIL
Brent 15-day (Argus) $14.85 (+57cts) (Dec)
West Tex Crude $15.655 (+65cts) (Jan)

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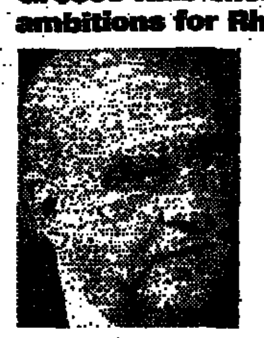
Greece falls short of grand ambitions for Rhodes summit



If the Greek President of the European Council has its way, this weekend's EC summit in Rhodes will be a non-controversial affair, not least because of Prime Minister Andreas Papandreou's vulnerable state of health
Page 2

Strikes raise profile of French Communists

By Paul Betts in Paris

THE FRENCH Communist party has set the tone this week for what promises to become a particularly intense and bitter campaign for next spring's French municipal elections by fanning the strikes which have caused growing havoc in the Paris public transport network.

The strikes, which have forced the Government to call in the army to provide emergency transport services for stranded commuters, have now turned into an open showdown between Mr Michel Rocard, the Socialist Prime Minister, and the Communists.

As the Paris public transport conflict threatened to spill over into other public services, Mr Rocard accused the Communist Party in the National Assembly this week of being at the heart of the latest wave of labour unrest in France. And the Gaullist RPR opposition party entered the political fray by confirming yesterday its intention to table in the next few days a censure motion against the Government for its handling of the strikes, which, according to Patronat, the French employers federation, are costing the economy about FFr800m ($135.6m) a day.

The sudden re-emergence of the Communists at the forefront of the political stage is not altogether surprising. They had been expected to deploy their political energies in the municipal elections – in many respects far more important for the party than the recent Presidential or legislative polls.

The Communists, who at a national level have seen their popular support stabilise just over the 10 per cent mark, are now keen to keep their more significant role at a municipal and local level, especially in traditional left-wing regions of the country. To this end, they have been pressing the Socialists to enter into a new national electoral pact to present joint lists of left-wing candidates in the municipal polls.

But the Socialists, who are seeking to expand their electoral base by wooing the centrists, have so far been reluctant to agree to such a deal with Communists. This appears to have prompted the Communists to try to raise political pressure on the Socialists by backing the strikes led by its CGT union allies.

The clash between Communists and Socialists carries serious political risks for both parties. The public sector strikes have already provoked widespread public anger and exasperation. This is beginning to undermine the popularity of the Socialist Government and could backfire on the Communists who are widely blamed for fuelling the strikes.

Greece falls short of grand ambitions for Rhodes summit

Andriana Ierodiaconou reports that large political gestures are likely to be in short supply

IF the Greek Presidency of the European Council has its way, this weekend's European Community summit in Rhodes will be a non-controversial affair. "Our aim in Rhodes will be to prevent conflicts, not to create them," one Greek official said.

The vulnerable state of health of Mr Andreas Papandreou, the Greek Prime Minister, is one key reason why Athens will seek to avert serious disagreement on any item on the agenda. Mr Papandreou is still recuperating from a serious cardiac operation performed in London last September and on doctors' orders the work and stress he can sustain are extremely limited.

This has disappointed no one more than Mr Papandreou himself. He had hoped to exploit the EC Presidency with a dramatic political gesture designed to boost his prestige at home. As it is, he has had to content himself with two initiatives, which Athens is counting on to lend a Greek flavour to the summit: the drafting of a relatively anodyne declaration on the Community's international role, and a discussion of EC policy on global environmental problems.

According to Mr Theodore Pangalos, Greece's Minister for EC Affairs, the other main items on the agenda are the social implications of setting up the 1992 single market and a mid-term review of progress so far towards the single market. The 12 EC heads of government are also expected to discuss the subject of a European audio-visual policy and the development of Community island regions.

Greece's original ambitious plan to launch a package of directives on social issues designed to complement the technical aspects of the single market has more or less foundered on the twin rocks of British opposition and less-than-fiery backing from the Commission President, Mr Jacques Delors.

By way of consolation officials in Athens say the Greek Presidency can at least claim to have kicked off a debate on the subject which is not expected to bear fruit until the French Presidency in the second half of 1989.

The review of the progress towards the 1992 single market, based on a report drafted by the Commission, could run into objections from British Prime Minister Mrs Margaret Thatcher, depending on how aggressively Mr Delors pushes for a discussion of thorny issues on which insufficient progress is judged to have been made, such as frontier controls and fiscal harmonisation. However, according to Mr Pangalos, the Greek Presidency does not expect a re-enactment in Rhodes of the recent acrimonious ideological Thatcher-Delors debate on the future shape of the Community.

Other Greek officials also stressed that the Presidency will do its best to avoid such a confrontation from developing. The discussion on the environment is expected to dwell on such phenomena as the destruction of the ozone layer and to conclude with recommendations on the drafting of a set of environmental protection principles.

The text on the declaration on the Community's international role has already been considerably modified after consultation between Athens and the other 11 capitals.

One of the key messages of the text is the assurance directed at non-EC countries that the single market will serve, not threaten, their interests and that the intention is to create not a fortress Europe, but a partner Europe.

According to Mr Pangalos, the text dwells on the EC's relations with both the US and the Comecon countries, stresses the need to boost the role of the United Nations, affirms the EC's support of human rights and backs the further development of East-West relations.

Old habits die hard as Kremlin plays its constitutional cards close to its chest

By Quentin Peel in Moscow

MR MIKHAIL GORBACHEV'S constitutional reforms produced a gigantic mailbag for the Supreme Soviet in Moscow – more than 300,000 letters in barely a month – as Soviet citizens sought to exercise the one way they know to get their views across to the authorities.

Newspapers were inundated, too, not to mention Communist party organisations, republican and regional governments, and town councils. Clearly, people were taking constitutional change seriously.

From the entire debate, a whole raft of amendments to the reforms were drafted. Almost half the articles in the proposed reforms were set to be altered – 32 out of 62 articles in the new election laws, and 26 out of 55 in the constitutional reforms – when the plans were presented to the Supreme Soviet on Tuesday.

And yet only a handful of those amendments have yet been revealed, even now that the reforms have been finally agreed. Even leading members of the Supreme Soviet had not had a chance to read them when the session was one day old. Ordinary citizens have had no chance at all.

The dichotomy of glasnost – seeking to promote an open debate, and then denying half the basic information needed to conduct it – is still glaring. Mr Gorbachev admitted as much when he wound up the session: "Many things gave rise to questions," he said. "Why? Because we didn't care to explain their meaning. The centre was following the old practice of declaring: they will get used to it all in time."

The first batch of amendments was approved almost two weeks ago, by a joint meeting of constitutional committees of the Supreme Soviet, which agreed on 40 changes. Only three were published, in Pravda, the party newspaper.

One concerned the composition of deputies to be elected to the new Congress of People's Deputies – the new super-parliament. One third of their number (750 out of 2,250) will be elected by "public organisations", thus reinforcing the hold of the Communist party and its affiliates, like trade unions, the youth league etc.

The deputies did not change the basic rule, but agreed that the numbers from each organisation should not be written into the constitution. They would be written into the election law instead, thus making it rather easier to alter them.

A second amendment published sought to reassure the restive Soviet republics. It concerned the power of the new Congress to decide exclusively the composition of the Soviet Union, and the formation of new autonomous republics and regions. The amendment changed the words to say that the Congress could decide only "matters of national-state structure that are within the jurisdiction of the USSR."

The only other change revealed – at a crucial time when the three Baltic republics, and Armenia and Georgia were all voting to oppose key elements – was to stop it being the "exclusive prerogative" of the new Congress to repeal republican legislation if it were deemed to offend against the constitution.

A week later, last Saturday, the presidium of the Supreme Soviet met in Moscow, and agreed a string of amendments – almost certainly those decided by the constitutional commissions, and perhaps a few more. No details were published.

Over the weekend, however, the newspaper Arguments and Facts, a restricted-circulation weekly, gave a few more hints of what was in the mind of the leadership. For example, it was proposed that judges should not be elected by local Soviets – they would be less likely to be genuinely independent – but at higher level.

Another paragraph that had infuriated the dissident republics was to be altered: the new USSR Supreme Soviet – indirectly elected via the Congress, but acting as a standing parliament with sittings lasting several months – would have its powers somewhat circumscribed.

It would no longer be expected to lay down "basic guidelines" for the republics, but only "general principles". More importantly, it would no longer be able to determine "the legal status of social organisations," which the Baltic states feared might mean the banning of their new popular front movements.

This was still a long way short of the "more than 40 amendments" which had been agreed behind closed doors.

Nothing more emerged when the Communist party central committee held a plenary session on Monday. A couple of details were given by Mr Anatoly Lukyanov, Mr Gorbachev's close constitutional adviser, on Tuesday. But his main advice was to "read Arguments and Facts."

Finally at the closing session of the Supreme Soviet yesterday, minutes before the deputies were set to vote, Mr Georgy Razumovsky, chairman of the constitional commission, revealed a few more of the details about to be agreed.

Instead of insisting that in future "people's deputies shall be released from their employment," the constitution will read "may be released."

The rules for protesting to a new "constitutional control committee" will also be extended – to allow republics to complain about actions of national bodies.

And finally he revealed an amendment promised by Mr Gorbachev, as one way to restrain the power of the executive president. "Officials can be relieved of their posts if they fail adequately to carry out their mandate," the constitution will read.

No doubt Pravda will carry an arbitrary selection of all that today, just to let people know what has been decided for them. It is not quite democracy, but, as Mr Gorbachev said: "All of us are learning our lessons. We are all in the school of democracy. We must learn to be good pupils."

Azerbaijan crisis talks in Moscow

By John Lloyd and Quentin Peel

MEETINGS WERE called for last night in the Kremlin between the Communist party leaders and the leaderships of Armenia and Azerbaijan, amid clear signs that personnel changes in those republics were afoot.

The meetings came at the end of a day in which the officially admitted death toll rose to 28 – including Armenians, Azeris and Soviet soldiers – and as more than 20,000 refugees have crossed the borders in each direction to escape pogroms.

Mr Arkady Volsky , the central committee's emissary to Nagorno-Karabakh, the Armenian enclave in Azerbaijan which has been the trigger for the present and earlier disturbances, told the USSR Supreme Soviet yesterday that the two republics were now "boiling", and that "when the law is being violated and when blood is being spilt, the state cannot be a bystander."

The situation is now officially admitted as being critical. In reports in some of the main newspapers yesterday, a picture was painted of the two capitals – Baku in Azerbaijan and Yerevan in Armenia – being under seige from refugees, gripped by waves of strikes and now under tight martial control, with curfews operating.

In Baku, the remaining Armenians are besieging Aeroflot offices for air tickets out.

Ye Olde European bastion against Eastern invaders

JOURNALISTS arriving yesterday at Rhodes' Cactus Hotel – "everything you write gets spiked" – at last tumbled on the reason why the Greek Government chose this of its many islands as the venue for today's European summit, writes David Buchan in Rhodes.

Medieval Rhodes, said a helpful set of history notes provided to journalists, was "the first European state." The Grand Master of the Knights of St John of Jerusalem, who arrived in Rhodes in 1309 and built the magnificent castle where EC leaders will meet today, was elected by a 45-man council from 20 countries. This was the forerunner of today's European parliament.

But that is not the only parallel claim. Rhodes was "not only the first European defence community," with the Knights running Europe's only standing army and navy of the time, but also "the first outline of a European common market" in agricultural and financial services. This bold claim rests on the role the Knights are said to have had in promoting farming, and financing Euro-Arab commerce.

Was all this designed to recall how Europe united against the Saracens, some journalists wondered. After all Rhodes is only just across from Turkey, which has applied to join the EC and expects to hear the EC verdict next year.

FINANCIAL TIMES

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Lenin yard closure signals end of shipbuilding era

Christopher Bobinski reports that a Soviet orders boom turned out simply to be prolonging an agony

AS the sign on the Lenin shipyard in Gdansk came down yesterday the shock waves were still reverberating from the Polish Government's decision to close the yard. The restructuring of a plant this size, with all the attendant economic, political and social implications, will be the first for the Communist bloc since the war.

For Mr Zdzislaw Miedziarek, Poland's Deputy Industry Minister, who has been studying how to prune the country's shipbuilding industry since May, the decision is a logical consequence of chronic labour shortages and a looming energy crisis.

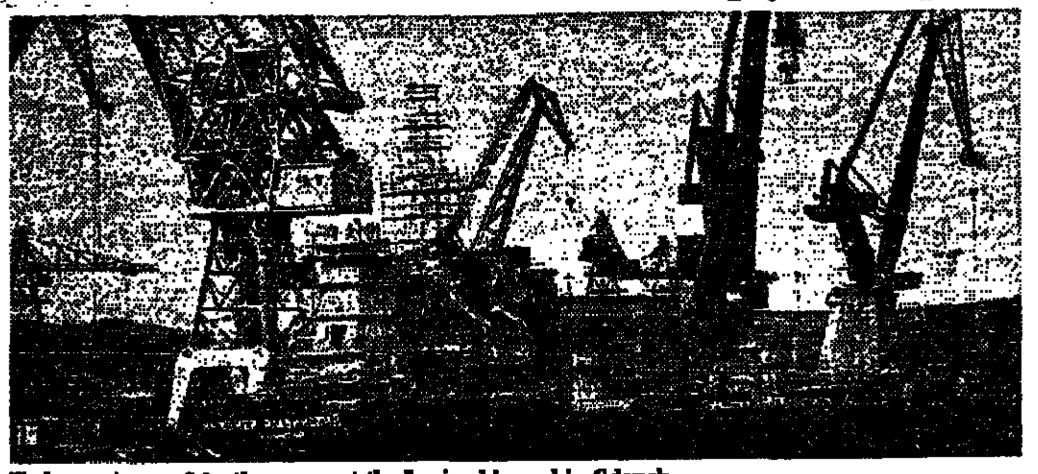
The prospect of power shortages within the next few years, he argues, mean that energy-intensive steel output has to be cut. Decisions have already been taken to limit capacity at three Polish mills. These new policies not only mean savings in iron ore imports from the Soviet Union and the prospect of purchases of higher quality ores from producers such as India, but further closures wherever there is a heavy steel input such as production of rail rolling stock.

For the moment the Government has ridden the protests from the opposition and its economists. These have argued that the decision was a purely political one aimed at depriving Mr Lech Walesa, the Solidarity leader, of a power base which twice this year has gone on strike to support the union's demand for legalisation.

The movement has pointed out that, were the figures to be taken seriously, then the yard, which was subsidised to the tune of Zl 7.6bn (£8.3m) in 1986 and Zl 4.9bn in 1987, is coming out of the red this year and other industries and shipyards were in a worse situation.

Both Solidarity and the shipbuilding lobby, which is also arguing against the closure on economic grounds, raise the vexed point of the Comecon pricing system. This uses a rouble which is grossly overvalued against the dollar and thus hurts Polish exporters, whose prices in roubles on the Soviet market are fixed on the basis of average world dollar prices over the previous five years.

The system favours Poland in imports from the Soviet Union – little consolation for a shipyard which in the past has been required by the Government to fulfil Soviet orders and is now expected to show a profit. Professor Jerzy Doerffer, an unquestioned expert on the industry in Gdansk, has even suggested that ships should simply be traded to the Soviet Union for dollars pure and simple.



Under sentence of death: cranes at the Lenin shipyard in Gdansk

In any case the yard still has two years in which to finish the Rouble 280m (£259m) Soviet orders, due to be delivered between the middle of this year and the end of 1990, and deliver $65.2m (£35.6m) worth of vessels due to Western customers. The orders due for delivery after that date, worth some Roubles 390m and $120m are to be renegotiated and placed either at the other three remaining Polish yards or simply cancelled.

The implication is that Poland will be selling fewer ships than the 301 vessels pencilled in by the Soviets for the next five year plan beginning in 1991 and this marks a major change of emphasis. Indeed, Mr Mieczyslaw Wilczek, the Industry Minister, said in a recent Polish newspaper interview: "We thought that Soviet orders for the yards were a boon but in fact they only drew out the agony."

Over the next 24 months the ships now under construction at the Lenin yard will be finished under the auspices of a joint company with the neighbouring Northern shipyard, while remaining capacity on the 139 hectare site is to be turned to other uses.

The most advanced plans include bringing television set production into one of the yard's unfinished sheds and plans to build refrigerating equipment on the site by Igloopol, an ambitious state-owned food processing company. These ideas have been around ever since the summer, when the Government first signalled it wanted change at the yard.

"The trouble with managers of my generation," says Mr Miedziarek, who headed the giant Cegielski works in Poznan which also makes ships' engines, "is that they are incapable of thinking in terms of return on capital invested."

Management at the yard was content, he implies, to see their plant 60 per cent utilised because of the shortage of workers and never thought of selling off or even leasing excess capacity to make extra money - meanwhile delivery dates of ships being built at the yard were lengthening, the industry was in recession and the yard's finances were a disaster.

It was only under government pressure that management at the yard began to plan a restructuring programme. Now the shipbuilding lobby, which was stunned by the closure decision, is hoping to adapt that plan to the new situation. Mr Czeslaw Tolwinski, the yard's manager and in charge of the closure, is working towards retaining shipbuilding capacity on the site with employment cut from the present 10,600 to some 4,000 to 5,000, ready to take advantage of the present upswing.

"Let them get on with finishing the orders they've got at present," Mr Miedziarek says, "then in a year's time we'll look at the market and examine the pros and cons of keeping a smaller yard in addition to the three Poland still has." In any case, Mr Miedziarek adds, he is still looking closely at the nearby Gdynia yard with its more modern equipment. Were it to attract redundant shipbuilders from Gdansk then it could improve its results. Otherwise, Mr Miedziarek warns, it could be the next for closure.

Tourism earnings boost Turkey's economic fortunes

By Jim Bodgener in Ankara

TURKEY'S CURRENT account showed a small surplus of $20m in the first nine months of the year, indicating that the country's balance of payments is in its healthiest state for several decades.

According to figures released this week by the central bank, record earnings from tourism of $1.6bn (a rise of 41 per cent over January-September 1987) were the main reason for the improvement.

The export drive which has contributed most to narrowing the trade gap in recent years has shown signs of moderating in the second half of this year, because of a slackening in production owing to the Government's austerity programme.

Nevertheless, the increase in visible exports was still healthy: they totalled $8.1 bn in the first nine months of 1988, a rise of 18 per cent over the corresponding 1987 period.

The slowing of export growth in the second half of this year was matched by a fall in imports, reflecting declining demand for raw and semi-finished materials. Imports rose by 12 per cent to total $9.9bn in the January-September period. The trade deficit narrowed by 9 per cent to total $2.01bn.

The current account is about the only bright spot on a fairly bleak economic horizon for the Government of Mr Turgut Ozal. Its biggest challenge at present is bringing down rampant domestic inflation of 86.4 per cent in the year to the end of October.

However, Turkey's creditworthiness still seems assured in the international banking community despite onerous external debt servicing totalling $7.3bn in 1988, falling marginally to $6.9bn next year. The medium-term trend seems favourable, especially given that debts rescheduled in the early 1980s will be finally paid off next year.

The central bank's foreign exchange position is probably stronger than it has ever been in the past 15 years, according to Mr Rusdu Saracoglu, the governor, in a recent interview with the Financial Times.

In addition, the central bank's deposits with international institutions were sufficient to cover an end-of-year peak in external dues of around $1bn, and January's bill of around $300m, said Mr Saracoglu.

EC debate strains Austrian coalition

By Judy Dempsey in Vienna

AN UNSEEMLY row has broken out in Austria's Socialist-led coalition, threatening its unity, as the Government prepares to decide on whether to apply to join the European Community.

It involves Mr Franz Vranitzky, the Chancellor and leader of the Socialist Party (SPOe), and Mr Alois Mock, the Foreign Minister, Vice-Chancellor and head of the conservative People's Party (OeVP).

The dispute is over which of the two should present a report on Austrian relations with the EC to Parliament. But it is taking place against a background of growing differences between the two parties as to whether and when Vienna should apply to join.

The report concludes that Austria should consider applying to Brussels. In the light of the EC's internal market programme, Austria needs to be involved in the EC's decision-making process, it says.

Mr Mock delivered the report to the Government on the grounds that the EC issue is in the domain of foreign policy. It was assumed until recently that he would also present it to Parliament for debate. But SPOe officials are now arguing that this prerogative belongs to Mr Vranitzky, who has announced plans to set up a fresh ministerial commission to consider EC membership.

Mr Vranitzky is coming under renewed pressure from the SPOe's left wing to exert more leadership in the Government. In the words of one Socialist deputy, he should "stand up to Mock."

But the dispute is not just about personalities: there are also ideological issues at stake. While Mr Mock wants Austria to apply to the EC as soon as possible, the SPOe's left wing, led by Mr Heinz Fischer, is opposed to Austria applying at all. With the apparent aim of playing for time, they are insisting on more fact-finding reports on the EC.

The left-wing faction, weaned on a foreign policy tradition that was oriented more towards the Middle East and a North-South dialogue than to Western Europe, realise full membership would entail a realignment of Austria's external relations.

SPOe and OeVP officials say the row is causing serious damage to the fragile coalition. And they are suggesting that some left-wing Socialist deputies could force the issue to the point where early elections have to be called.

The SPOe left-wingers apparently believe their party could increase its share of "green" votes on the strength of their anti-EC platform. But OeVP officials, along with mainstream Socialists, acknowledge that the only winners in an election would be the far-right Freedom Party, led by the populist Mr Jorg Haider.

Malta lays welcome mat for offshore traders

By Godfrey Grima in Valetta

MALTA IS offering generous incentives and a guarantee of secrecy to banks, insurance companies, shipping concerns and investment trusts in the hope of rivalling Gibraltar and Cyprus as an offshore financial and trading centre.

At the same time, the island is determined to confine registrations to reputable companies and keep "fly-by-night" businesses away.

However, guaranteeing that no unsavoury outfits slip through the net may strain Malta's limited administrative resources. If this proves to be the case, the island may seek further help from Chase Manhattan, the US bank which it has retained as a consultant.

The secrecy of legitimate offshore activity is to be safeguarded by stiff penalties, including imprisonment, for transgressors. But the authorities retain the right to step in in the event of gross misbehaviour, such as drug trafficking.

Even in those cases, any trials would be held *in camera* before judges sworn to secrecy.

The package of incentives includes corporation tax at a flat 5 per cent on self-assessed returns, and investment portfolios and ships registered locally can be classified as "non-trading" entities and thus be virtually free of tax obligations.

Unlike "onshore" Maltese banks, offshore banks will not be controlled directly by the central bank: they are exempted from keeping reserve funds locally or maintaining specified assets.

Nor are offshore insurance companies obliged to create a margin of solvency or maintain a security fund. Blanket concessions include exemptions from exchange control regulations, death, donation and stamp duties.

Offshore insurance firms, in contrast to their Maltese counterparts, are being spared the obligation to keep 40 per cent of gross premium income in Malta, and they may transfer shares, or alter their memorandum of association without prior ministerial approval.

Nominee companies will offer the Maltese an opportunity to work with offshore operators. However, the nominee firms will be held accountable for any breach of the law committed by their partners.

EUROPEAN NEWS

W German economy grows strongly in third quarter

By Andrew Fisher in Frankfurt

WEST GERMANY'S economy grew by 3.4 per cent in the third quarter, reinforcing the upbeat tone of recent forecasts and following a string of favourable profit and order statements from leading companies.

The third quarter advance in gross national product comes after rises of 4.3 per cent and 3.4 per cent in the first and second quarters respectively. On a quarter-to-quarter basis, the July-September period showed a seasonally adjusted 1 per cent gain after nil in the second quarter and 1.5 per cent in the first.

The expansion contrasts strongly with the general pessimism expressed at the start of the year before the benefits of a mild winter, the weaker D-Mark, low oil prices, and the capital investment boom in Europe began to be felt.

The figures released by the Federal Statistics Office in Wiesbaden were taken by the Economics Ministry as confirmation that West Germany's economic growth was broadly based. Thus, growth of 3.5 per cent, the figure agreed on by the Government's council of economic advisers and other economists, looked very probable.

This result, the ministry noted, would be the best since 1979. Last year, GNP grew by only 1.7 per cent, prompting widespread calls, notably from the US, for some form of West German economic stimulus to promote overall growth and thus help reduce the country's large surpluses by boosting imports.

The surpluses have increased this year, however, as exports have responded to the weaker currency – the D-Mark fell by 8 per cent against the dollar in the first 11 months of 1988 – and to the surge in demand for capital goods, of which West Germany is a leading producer. The mechanical engineering industry association reported a 12 per cent inflation-adjusted rise in new business in August-October over last year, with rises of 8 per cent at home and 16 per cent from abroad.

Leading bankers have expressed optimism about the West German economy in the past few days, though 1989 is widely expected to see a slowdown in growth to between 2 and 2.5 per cent. "It has not been so pleasant to talk about the economy for a long time," said Mr Wolfgang Roeller, chairman of Dresdner Bank. With a further DM40bn (£12.5bn) of tax cuts due in 1990, the upturn was secure until then, he commented.

Mr Walter Seipp, chairman of Commerzbank, said the main growth force in industry next year would again be the capital goods sector, which had nearly enough business to cover production in the first half of 1989. With European industry keen to modernise plant and equipment in readiness for the unified EC market after 1992, he saw continued opportunities for West German engineering.

De Benedetti gives sombre warning on 1992

By John Wyles and Alan Friedman in Rome

THE European Community's political institutions will need developing and strengthening if the 12 are to cope with the toll of "dead and wounded" companies which will follow the opening of the single internal market.

This sombre warning of the future lying ahead for the many EC companies still inadequately preparing for 1992 was given to the FT Conference by Mr Carlo De Benedetti, chairman and chief executive of Olivetti. His call for swifter institutional developments at a Community level to deal with the problems lying ahead was echoed later by Mr Denis Healey, the former British Chancellor of the Exchequer, who saw protectionist dangers and a possible breakup of the EC system without political change.

Mr De Benedetti believed that many American and Japanese companies operating in Europe were better equipped to exploit the single market. Many US companies have a "better articulated European network," while the Japanese – whose top 19 industrial groups have a total liquidity of $60bn – were making investments and acquisitions in Europe that were "only the beginning of a trend."

"Fortress Europe" was not a concept of much importance to European companies, affirmed the Olivetti chief, because they would face a competitive struggle with Japanese and American giants "which will have strengthened or constructed a solid production and commercial base in Europe."

European companies were being slow to internationalise their activities and they were encountering strong obstacles to restructuring across national boundaries. At a country level, clear "asymetries" were emerging, especially between the countries with Germanic and Latin cultures.

Those feeling threatened by 1992 were now using "stronger forms of protection." Companies have begun to adapt their manufacturing structures to global markets, but the institutional system was failing to show a similar understanding, said Mr De Benedetti.

> 'European companies are being slow to internationalise their activities and are encountering strong obstacles to restructuring across national boundaries.'

Mr Healey warned of the difficulties of avoiding protectionism in Europe after 1992. Having removed barriers to competition from within the EC, the countries of Southern Europe would be reluctant to open up to Japanese and American competition.

A flow of resources to the South would have to be guaranteed "to cushion the shock," said Mr Healey, arguing that "you can't have a European market without a European system." Referring to warnings that half of Europe's manufacturing plants will face closure post-1992, he added: "You have to produce an institutional structure capable of dealing with the strains or otherwise it will all break down.

The former Labour Minister said that Europe was mistakenly trying to assure the US that Japan would be the country to suffer from any barriers to its market. "I believe it is a horrible mistake for Europe to believe it can offend Japan as much as it likes. . . Japanese power in the economic field is potentially overwhelming."

The various scenarios for dealing with the US trade deficit were "very worrying," said Mr Healey. If the US did nothing, Japanese and German funding might dry up. If it adopted a five-year deficit reduction programme, other countries would have to take $250bn more of US manufacturing exports, of which Europe would have to take half.

Earlier, Mr Bettino Craxi, leader of Italy's Socialist Party, had also stressed that redistributive policies would be needed in the post-1992 EC. He believed that the development of a common European policy towards the rest of the world would lead to "the reduction, not the raising" of external barriers.

Monetary problems, which will flow from the freeing of capital movements, could only be dealt with by further moves towards monetary unification, said Mr Craxi. After 1992, there would need to be a reform of the EC's institutional framework to strengthen its decision-making capacity and its democratic legitimacy.

Mr Samuel Brittan, assistant editor and principal economic commentator of the Financial Times, agreed with Mr Healey's views, adding that "erecting a lot of barriers to keep out American and Japanese products would be madness." Mr Brittan then went on to say that a free trade area without a monetary component "would not justify the term, 'single market.'" He said that a single European market might not, strictly speaking, need monetary unification, but "it will benefit from having it."

Mr Brittan criticised the UK for "dragging its feet" on the monetary union issue, but pointed out that "this is hardly a new experience in European development – the lesson since the Treaty of Rome is that it is better to go ahead without the UK, which will later come knocking on the door." The "Euro enthusiasts," however, had done a disservice to their cause by their excessive emphasis on a common currency and common central bank. Some such institution along the lines of that favoured by the West German Bundesbank would be helpful.

But what is needed in a "monetary union" is an area of permanently fixed exchange rates, with no exchange controls or other institutional barriers to the free movement of capital, said Mr Brittan.

Miss Haruko Fukuda, a director of Nikko Securities, expressed her concern at what she termed "a strange sense of fear of Japan and her economic power on both sides of the Atlantic." Miss Fukuda ridiculed the notion of "Japan buying the whole world" and pointed out that in terms of trade, despite much talk, Japanese exports to the EC comprise only 16 per cent of total Japanese exports. The Nikko director also decried the more than 130 discriminatory quantitative restrictions being imposed against Japan by several European states.

The Japanese, Miss Fukuda said, were gravely concerned about the risk of a Fortress Europe. Japan did not plan to buy up the best companies in Europe, but it did wish to make direct investments. And the Japanese "are presently terrified of being rejected" in Europe. The Nissan plant in the UK and suggestions about the Community content of Nissan's Bluebird model was the test case.

Delays in Italy in adjusting to the requirements of the new internal market were strongly criticised by Mr Romano Prodi, the chairman of IRI, the giant state holding concern.

The Italian public sector was being required to compete with private industry, but the country was backward in achieving mergers between public companies. Italy could not compete on an equal basis if it failed to achieve such mergers.

Describing Britain's economic recovery in the 1980s, Mr Leon Brittan, the Conservative MP who takes over as one of the UK's European Commissioners in January, said that the turnaround had been both measurable and psychological.

In a speech in which he explicitly supported putting sterling into the EMS exchange rate system, Mr Brittan said that UK inflation had been brought under control, the supply side stimulated by tax cuts, and a large number of nationalised industries transferred to private ownership.

But the current rate of growth had become "unsustainable," Mr Brittan thought it probable that continuing high interest rates and prudent public spending would do the trick in improving the balance of payments.

However, the need for further fiscal action and even direct controls on consumer credit could not be excluded if the balance of payments was not improving by next spring.

In a speech read on behalf of Mr Michael Von Clemm, the chairman of Merrill Lynch capital markets, was quoted as saying he was optimistic about the likely results of 1992 and called for the EC to guarantee the right of financial firms to expand their existing base further into EC territory.

Mr Guido Carli, the former Central Bank governor and chairman of Impresit, Fiat's civil engineering subsidiary, discussed monetary and fiscal policies in the context of 1992 and said that the restructuring of the European economy would see a trend towards more privatisation.

FT CONFERENCE
European business forum: 1992 and after

Nato to study Bonn idea for multi-nation airborne division

By David White in Brussels

A WORKING group, headed by General John Galvin, Nato's Supreme Commander in Europe, is to look into a West German proposal for a new international airborne division to strengthen alliance capacity for rapid intervention.

The division would be created by the four European countries in Nato's Northern Army Group – West Germany, Britain, Belgium and the Netherlands.

The UK is taking a cautious approach, saying that it needs to consider in detail how operationally useful a force of this kind would be in practice.

General Wolfgang Altenburg, the West German chairman of Nato's military committee, said the Bonn initiative could be seen as a response to US calls for European allies to shoulder more defence responsibilities.

It should help the US administration to argue the case for maintaining its own capabilities in Europe, he said.

In another important sign of allied willingness to share costs, defence ministers were expected to agree on common funding for the transfer of the US 401st Tactical Fighter Wing, comprising 72 F-16 fighters, from Torrejon, near Madrid, to Crotone in Italy's Calabria region.

General Altenburg said the military committee was to make a progress report on the international division proposal by next autumn.

Under the West German initiative, other nations might participate, but General Altenburg emphasised that it was conceived as "an additional European defence effort."

Bundeswehr plans to hold fewer big manoeuvres

By David Marsh in Bonn and David White in Brussels

THE West German army is to reduce sharply large-scale military manoeuvres in an attempt to reduce damage and inconvenience for local people while maintaining troop readiness.

It was also announced in Brussels that Nato's military committee would consider reducing the number of exercise and low-flying runs by the alliance in the Federal Republic.

The Nato move was disclosed by the committee's chairman, Gen Wolfgang Altenburg, who said there was no timetable for a decision. "We are at the very beginning of examining this," he said, adding that the allies must weigh their training requirements against the burden imposed on local people.

Under Bonn's unilateral move, the West German Bundeswehr will reduce the number of big exercises from 21 in 1987 to less than 10 in 1990, and fewer afterwards. However, lower-level training will continue across open country and exercises in restricted military training areas will increase.

Announcement of the move by Mr Rupert Scholz, the Defence Minister, is understood to have caused some resentment among the military establishment in other Nato countries which keep troops and train in West Germany.

The West German army and the other six countries with a military presence here hold around 80 large exercises a year across open country, with more than 2,000 troops. Nato figures show more than 80,000 jet flights at below 1,500 feet take place over the country every year.

The British army, which last month carried out Exercise Iron Hammer with 24,500 troops in north Germany, meanwhile called an effort to improve understanding with local residents an enormous success.

● The West German Bundestag (federal assembly) yesterday approved by a heavy majority the establishment of a Franco-German defence council foreseen in a government agreement last January. Mr Hans-Dietrich Genscher, the Foreign Minister, said the council was a "building block in the architecture of Franco-German friendship".

Suriname takes its civil war to task

The Government must find a solution to a crippling conflict, reports Canute James

President Shankar at his inaugaration accompanied by former military leader, Desi Buterse (left)

WHEN he took office 10 months ago, Mr Ramsewak Shankar, President of Suriname, set his administration two immediate tasks. The first was to get the Netherlands to restore generous doses of financial assistance which had been suspended five years earlier, and the second was to bring to a peaceful end the two-year-old insurrection in the east of the country, which had crippled an already weak economy.

The Government has again started getting aid from the Netherlands, but has failed to end the guerrilla war. Efforts to arrange a ceasefire with Mr Ronny Brunswijk, the rebel leader, are being frustrated by the Suriname army which favours a military rather than a diplomatic solution to the dispute.

With the support of exiled Surinamese politicians, Mr Brunswijk, a former soldier, harassed the former military government of Commander *Desi Bouterse. Failure to kill* the insurgency and a steady deterioration in the country's economy eventually forced Commander Bouterse, who took power in a coup in 1980, to hold elections a year ago. President Shankar's government was installed last January.

Although he is no longer head of government, Commander Bouterse is still leader of the army, and exerts a strong influence on affairs of the Dutch-speaking republic of 400,000 people in north-east South America.

He, and other leading army officers, have been openly critical of the Government's approach to discussions with Mr Brunswijk, despite President Shankar's undertaking to bring the insurgency to an end.

President Shankar said an end to the conflict had to be based on talks with the rebel leaders who get most of their support from the "boschenegers" of eastern Suriname. The Government's attempts to court the leaders of the boscheneger clans – descendants of slaves who escaped to the interior – and get them to attend talks in Paramaribo, Suriname's capital, have foundered on demands by the chiefs that Mr Brunswijk should be included in the negotiations.

The army leaders were incensed when government representatives met Mr Brunswijk in neighbouring French Guyana in June. Talks had been arranged by Roman Catholic Bishop Aloisius Zichem, president of the Committee of Christian Churches of Suriname, but have been at a stale*mate ever since.*

Mr Brunswijk has been reminding the Government and the army that he has not changed his ways despite the change of government. The rebels recently attacked a palm oil factory, a timber mill and an airstrip. Mr Brunswijk is now demanding administrative control of parts of eastern Suriname. Much to the discomfort of the French Government, the fighting *has forced* an estimated 8,000 Surinamese to seek refuge in French Guyana.

The insurgency will divert the Government's attention from measures which are needed to correct a tailspin in the economy based on bauxite mining, refining, aluminium smelting, and the production of rice and timber.

The mining sector accounts for 72 per cent of the country's foreign earnings. *Rebel attacks* on key mines and power lines led to a 45 per cent decline in the sector last year, which in turn contributed to a 6.6 per cent decline in Gross Domestic Product (GDP), following a fall of half a per cent in 1986. Exports fell 15 per cent last year, while a shortage of hard currency resulted in a 19 per cent decline in imports. Reduced revenues from mining left the fiscal accounts at the end of 1987 with a deficit equivalent to 28 per cent of GDP. International reserves ran out in 1986 and arrears are mounting on a foreign debt of $71m.

The Dutch decision to resume aid to its former colony has brought some relief to the *economy. When Suriname* became politically independent in 1975, the Netherlands presented the new nation with a golden handshake of $1.5bn, spread over 15 years. The Dutch suspended the aid after the military Government murdered 15 opponents in December 1982, saying it would be resumed only when an elected civilian government was in office.

The Netherlands has now agreed to provide President Shankar's administration with $760m in development assistance. Some $69m will be disbursed by April of next year, $107m for the rest of 1989, and then $107m per year. But there are now dark clouds over the bauxite mining, refining and aluminium smelting sector which has been restored after the rebel attacks. The Government and the companies involved have disagreed over planned investments of $150m. The industry is run by the Suriname Aluminum Company, a subsidiary of the Aluminum Company of America, and by Billiton, an arm of Royal Dutch Shell.

President Shankar said an end to the rebellion had to be based on talks with rebel leaders. Army leaders were incensed and talks have been at a stalemate. The insurgency will divert attention from measures needed to correct a tailspin in the economy.

Both had proposed the investments to update ageing equipment and open new mines to replace those which will be exhausted in five years. The Government has baulked, however, at the companies' request that they be granted some tax incentives, and that their operations be conducted at a more favourable exchange rate of Fl 3 to the dollar, against the official rate of Fl 1.77.

An agreement between the Government and the companies was initialled, but then attacked by several parliamentarians who argued that the lower exchange rate effectively subsidised the operations of the metal companies. They also said that if such concessions were granted in the mining sector, they would have to be given to companies in the country's timber and rice industries.

A spokesman for the Aluminum Company of America said his firm, and Billiton, were waiting on the Government's next move, and that the investments would not be committed until the Government changed its attitude.

Rise of Left worries Brazil's politicians

By Ivo Dawnay in Rio de Janeiro

THE routing of Brazil's *dominant coalition, the Democratic* Movement Party (PMDB), at last month's municipal elections has forced a major rethink on the centre and right as to who can stop the left in next year's presidential race.

Parties of all colours had long calculated that the man to beat would be Mr Leonel Brizola, the ex-governor of Rio de Janeiro and a leftwing populist in the traditional strongman mould of Latin America.

They had never seriously considered, however, that Mr Luis Inacio "Lula" da Silva, head of the socialist Workers' Party (PT) would make anything but a symbolic stab at the presidency.

But after the PT's astonishing victories at the polls, which included the capture of Sao Paulo – the largest and wealthiest city in South America – a clutch of important industrial centres and the southern capital of Porto Alegre, nobody can deny that Lula, as he is universally known, is up and running.

Leonel Brizola: old-style populist left is under threat

This week Mr Antonio Emirio de Moraes, Brazil's best known businessman and a perennial political hopeful, was urging President Jose Sarney and PMDB leaders to bury their differences and concentrate on finding a candidate capable of stopping the left.

The PMDB is scheduled to hold a national congress next month to select its candidate with the veteran party leader, Mr Ulysses Guimaraes determined to win the nomination. But a whispering campaign is now under way arguing that the 72-year-old party president is too frail to win the confidence of the public.

Instead, a growing lobby appears to be pointing to Mr Mario Covas, a former leftwing PMDB Senator who broke with the party a few months back to form his own, somewhat Fabian group – the Social Democrats (PSDB).

Fears of overheating ease in US

By Anthony Harris in Washington

A SLUGGISH 0.1 per cent October rise in the US index of leading indicators, and a revised 0.3 per cent fall in the September index, further reassured financial markets yesterday about possible fears of overheating.

Reports from the member *banks of the Federal* Reserve System on Wednesday, suggesting a cooling of activity, had provoked a strong rally in stock and bond markets. The figures for employment growth to be released today are likely to determine whether this rally is extended.

An analysis of the leading indicators from the Department of Commerce shows that the revival in housebuilding, the firm stockmarket, rising consumer goods orders and falling unemployment claims pointed to growth. However, a speed-up in deliveries, weak materials prices, lower capital goods orders and a slight fall in the average work week all showed that the economy was well able to handle the current level of demand.

The downward revision of 0.2 per cent in the September index was largely due to a sharp fall in the estimate for outstanding business and consumer credit, which grew at an annual rate of only 4.1 per cent in the month – less than half the average rate for the previous six months.

The reports from the Federal Reserve member banks, which include information up to November 18, also suggest that demand pressure on capacity and in labour markets is easing. It caused some surprise in the markets, where the figures for housing, personal incomes and new jobs had aroused fears of overheating and higher interest rates.

Most districts reported slower growth, with export demand providing the main strength. The slowdown was particularly marked in the defence and computer industries.

Inflation pressures were also reported to be easing. According to the report: "Despite general tightness in many district labour markets and reports of shortages of skilled workers, only moderate wage increases have been observed."

It adds that "prices continue to increase in many sectors, but the rises do not appear to be as large or as widespread as recorded in previous months."

Bush speaks up in defence of Tower

By Stewart Fleming, US Editor, in Washington

PRESIDENT-ELECT George Bush yesterday expressed concern over reports critical of former Senator John Tower, who is tipped to become Defence Secretary in the Bush Administration.

Mr Bush, at a breakfast with Senator George Mitchell of Maine, the newly-elected Democratic Senate Majority Leader, said the comments "may be hurtful".

The meeting with Mr Mitchell is the latest in a series with both Republican and Democratic leaders in an effort to demonstrate his determination to reach out to Congress, and particularly to the Democrats who control the Congress, in the wake of the bruising presidential election campaign.

Mr Bush told Mr Mitchell that he will take the lead in proposing solutions to the Federal budget deficit, something the Democrats have been insisting upon, but there was no indication of when or how he would do this.

The meeting with Mr Mitchell yesterday followed sessions with House Speaker Jim Wright of Texas two weeks ago, Senate minority leader Robert Dole on Monday and on Wednesday a highly publicised meeting with Rev Jesse Jackson, the black presidential candidate. Mr Jackson said yesterday he expects a "qualitative change" on civil rights in a Bush Administration, compared with the Reagan era.

Mr Bush's comments on Mr Tower followed speculation about whether the former Texas Senator would secure the appointment he is seeking as Defence Secretary.

This week doubts on this score have been increased by new reports about links between Mr Tower's consulting business and major defence contractors and veiled criticism of his period as chairman of the Senate Armed Services Committee from former colleagues on Capitol Hill.

On Tuesday Senator Sam Nunn of Georgia, the Democrat who chairs the committee, and Senator John Warner of Virginia questioned the depth of the investigations by the committee into confirmation hearings for Mr Melvyn Paisley, the former chief of navy research and defence who is accused of procurement fraud.

China's inflation rate expected to reach 20%

By Colina MacDougall

CHINA'S inflation rate rose to 17 per cent in the first 10 months and may peak at around 20 per cent by the end of the year, the State Statistical Bureau has reported. This comes nearly two months after China's ruling Central Committee and State Council announced steps to freeze prices and investment following this year's rocketing prices, shortages and corruption.

This indicates a dangerously slow response to the new measures, a trend confirmed by Li Peng, the Prime Minister, at a national planning and reform conference in Peking on Monday. He signalled that many local officials are not supporting the government policy.

"Progress is rather uneven," Li said. "Improving the economic environment . . . will require certain bureaux and ministries to make some temporary and necessary concessions."

"Current trends of an overheated economy and high consumption have not yet been curbed," he added, noting that there were many problems to overcome if the 1989 price increases were to be markedly lower.

This view was confirmed by Yao Yilin, the Vice-Premier, who, commenting that inflation had "turned for the worse", criticised senior officials who underestimated economic problems. They were not "mentally prepared" to pay the necessary price to control inflation, he said.

Not enough construction projects had been suspended to make a real difference, the People's Daily pointed out last week. Less than a quarter of those now scrapped were those on which work had started.

The leadership is currently being undermined by its own past U-turns in policy. No-one believes the clampdown on investment will last long, the People's Daily said.

Indeed, officials in charge of projects under construction "did a rush job of building day and night" to avoid the freeze, thus intensifying both inflation and the shortages, Peking radio pointed out in a report on the same topic.

The radio added that although the panic buying of the early autumn had subsided and price hikes checked to some extent, the industrial growth rate in October grew 5.5 per cent over September, capital construction projects and consumption increased and the growth rate of the national wage bill had noticeably quickened.

Bhutto will be burdened with great expectations

Christina Lamb reports on the hopes and fears for Pakistan's first woman Prime Minister

THE RICH industrialist who hedged his bet by giving money to both sides in Pakistan's recent elections says he dreads the new People's Party Government. "Over night my workers will demand pay rises, confident that the Government is behind them," he said.

The officer in charge of allocation of government development loans has similar fears. "A political Government means that the politicians will have to reward those who elected them, and whose support they need to stay in power. Bureaucrats like me will be powerless to say no."

The young, unemployed graduate in Western clothes who voted for the PPP against his parents' wishes has no such qualms. "The PPP Government means jobs and freedom to dance and wear what we want."

In the election campaign, Miss Benazir Bhutto, leader of the PPP and Pakistan's new Prime Minister, was careful to promise little, conscious that with the country on the verge of bankruptcy, austerity measures are more realistic than sweeping social reform.

But, as the only party perceived as representing the poor, and with Miss Bhutto seen as Pakistan's Cory Aquino leading the way from the dark days of quasi-dictatorship to glorious democracy, expectations are high, impossibly so for a party which failed to win a majority and has to deal with both a hostile Senate and opposition governments in two provinces.

Miss Bhutto (right) with Gen Beg (left), Mr Mehbubul Haq and President Ishaq Khan

There are lots of arguments to say that the Government will not be able to meet these hopes. The most potent is the fragility of the economy, with a debt totalling $12.5bn and inflation spiralling past 15 per cent. Somehow, Miss Bhutto has to find the money to pay for manifesto promises of new homes, free universal education, and a 5,000 per cent increase in power supply by the end of the century, just for a start.

A conservative estimate of the cost of the first five years of implementing the PPP's programme for taking the country into the 21st Century comes to more than Rs210bn (£6.2bn) or 10 times the US aid package for the same period.

The PPP's economists have no easy answer for the source of these benefits, talking hopefully of increasing domestic savings from 9 per cent to 20 per cent, more effective taxation and running a more honest and efficient administration.

To an outsider and the World Bank, the most obvious source of revenue would be the reduction of defence spending, presently 40 per cent of the budget and the introduction of land tax: 80 per cent of Pakistan's population is dependent on agriculture for income.

Miss Bhutto admits that the first is not viable "unless you want to invite in martial law," while to a new, inexperienced Prime Minister leading a House dominated by feudals, the idea of a land tax is inconceivable and the PPP manifesto is conveniently silent on the subject under a promising heading, "Abolition of Feudalism."

The Government has only 60 days to pass a budget, and until the year end to ratify a structural adjustment loan from the IMF for a much-needed $1.3bn package.

With only a paper-thin majority in the House, dependent on independent and smaller parties, the upshot is likely to be little change on the economic front.

Lacking experienced personnel, Miss Bhutto will have a small Cabinet with senior party members who lost the elections acting as advisers. She may retain Dr Mehbubul Haq, the present Finance Minister, whose policies find favour with the World Bank and other vital donors, if not with the domestic audience, and who will help her win support in the Senate, which at present has only one newly converted PPP member in a House of 87, and could make difficulties in passing legislation.

Foreign policy, too, is likely to be more of the same. For Miss Bhutto to overcome the inherent distrust of Pakistan's all-powerful triumvirate of the military, bureaucracy and President Ghulam Ishaq Khan, she has agreed not to tamper with the Afghan policy, announcing publicly that she will uphold the symmetry principle under which the US and Pakistan continue arming the resistance as long as Moscow sends weapons to the Kabul regime.

Pakistan's Foreign Office is hopeful of a political settlement to the nine-year war with the forthcoming peace talks between Moscow and the Mujaheddin. For once, their view seems shared by the army and military intelligence who have been at the forefront of Afghan policy. Both the Afghans and UN officials say that to rock the boat now would spell disaster, and expect that Senator Yaqub Khan will continue as the Foreign Minister at least until the end of the Soviet withdrawal from Afghanistan in February.

With the army on the sidelines watching for wrong moves, Miss Bhutto's main challenge will be to present the illusion of change to please her supporters, while maintaining continuity to retain credibility with traditional power brokers.

Hints from the army chief, Gen Aslam Beg, of the desirability of a "grand alliance" have not gone unnoticed, and the party says their doors are open to anyone who accepts their manifesto. They are unlikely to have long to wait, given the opportunistic nature of Pakistan's politicians, and the fragile unity of their main rivals, the Islamic Democratic Alliance (IDA).

Once the PPP takes power, Miss Bhutto's legal advisers say that the defection clause preventing MPs from crossing the floor is not applicable to the IDA because it is an election alliance, not a party.

Cynics are already writing off Miss Bhutto as inexperienced and high-handed, predicting new elections within a year. However, the people have faith in her, and, while there may be little change in policies or faces at the top, there is a definite change in spirit.

In Pakistan's sterile capital, Islamabad, Western dress has suddenly replaced traditional pyjama suits. Stony-faced waiters no longer lock restaurant doors at 10 pm, and forbidden dancing and disco music can be heard late into the night.

Even the army has given Miss Bhutto a chance, and, while she may be young and untested, she is quick to learn and represents the best chance Pakistan has had of escaping from the cycle of military and quasi-military rule which has dogged it since the country was created in 1947.

Burma invites direct foreign investment

By Chit Tun in Rangoon

THE BURMESE Government has issued a welcome for foreign investors, shedding a long-cherished closed-door policy which 26 years of rigid application has proved irrational. Under a law promulgated yesterday, it has invited at reasonably attractive terms direct foreign investment in Burma, a country rich in natural resources.

The law provides for two types of foreign investment: wholly foreign-owned enterprises, and joint ventures with a Burmese partner, who can be either an individual or a local undertaking. In the case of joint ventures, the minimum equity share of the foreign partner is 35 per cent. No maximum is prescribed.

The law specifically favours investment which promotes or expands exports; exploits natural resources with heavy capital outlays; transfers high technology to Burma; increases employment opportunities for Burmese citizens; saves energy consumption and boosts regional economic development.

The law would guarantee against nationalisation of businesses during the period of their operation, and provide for the protection of capital and profits of the foreign investor.

It grants a three-year tax-holiday (which can be extended). Profits transferred to the reserved fund and reinvested in the enterprise within one year are also exempted from income tax. Accelerated depreciation of plant, equipment and buildings is allowed for purposes of income tax assessment. And if the products of the enterprise are exported, 50 per cent of the profits from the exports are exempted from income tax.

The law also contains some provisions for duty-free import of capital equipment and spare parts and for raw materials imported in the first three years of commercial production.

"I think it is the best investment law in the world for investors," Colonel Abel, the Trade Minister, said at a press briefing yesterday.

The Government is in a hurry to revitalise the country's run-down economy, and is unlikely to delay giving the green light to acceptable investment proposals from abroad. But potential foreign investors, though attracted by the business opportunities offered by Burma's rich natural resources, may be wary of investing heavily in a country still grappling with the problem of ethnic insurgency and of restoring law and order following the disturbances of recent months.

UN to vote on Iranian human rights record

By Edward Mortimer in New York

A RESOLUTION expressing concern over Iran's human rights record is now certain to be approved by the UN General Assembly, after passing by 55 votes to 23 on Wednesday night in the Assembly's "third committee," which deals with humanitarian and cultural issues.

The vote was based on a report by Mr Galindo Pohl of El Salvador, a UN special representative, who found "a nucleus of veracity" in accusations that Iran has executed hundreds of mainly leftist political prisoners this year, and that prisoners in Iran are routinely tortured.

Iran had thought to avoid condemnation by offering to allow Mr Pohl to investigate these charges on the spot, but this compromise was rejected by the resolution's co-sponsors, a group including Britain and nine other European countries as well as Australia, Canada, Costa Rica and Western Samoa.

They pointed out that of four countries for which the UN had appointed a special human rights rapporteur, Iran was the only one that had not yet allowed an on-the-spot investigation, and they refused to omit from the resolution the fact that Mr Pohl had already found enough evidence "to justify international concern" about human rights violations in Iran.

The other three countries are Afghanistan, Chile and El Salvador. In addition, Cuba this year admitted a team of investigators from the UN Commission on Human Rights, which meets each year in Geneva in February and March. But Cuba has so far had enough friends in the General Assembly to prevent its case coming up for public debate in New York.

Western participants were surprised earlier this week when Afghanistan and the Soviet Union allowed a resolution criticising human rights violations in Afghanistan to go through the Third Committee without a vote, apparently because the attached report urged opposition forces as well as the Afghan Government to "act in conformity with humanitarian law."

Clearly the choice of countries whose human rights violations are brought to the attention of the General Assembly is somewhat arbitrary, and reflects their relations with other governments as much as the special enormity of their crimes. Iraq, for instance, although condemned by many speakers in the debate for its treatment of political opponents and especially this year its use of chemical weapons, has enough friends in other governments to escape, so far, being singled out for special UN scrutiny.

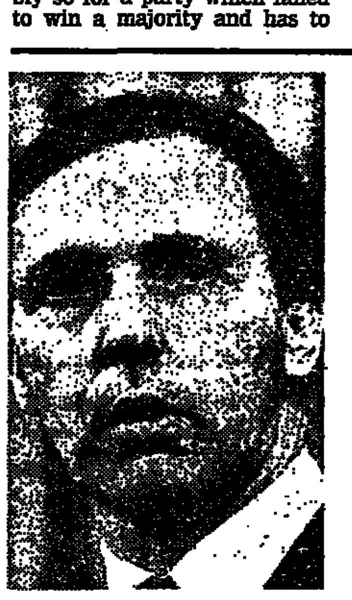
Election backlash in Boksburg

THE backlash against the Conservative Party-controlled Boksburg town council's attempt to reintroduce apartheid gathered momentum yesterday, as white voters ditched the CP in a by-election and blacks announced plans for demonstrations and a consumer boycott, writes Anthony Robinson in Johannesburg.

The CP won control of the council in October but saw its candidate lose his deposit yesterday in the first by-election since it announced re-segregation plans. The seat was won by an independent.

Australian unions to sever pay-prices link

By Chris Sherwell in Sydney



Keating: key alliance

AUSTRALIA'S powerful trade union movement, in an historic move, yesterday adopted a wage strategy ending the traditional link between pay claims and the inflation rate.

The decision was made at a meeting of the executive of the Australian Council of Trade Unions in Melbourne, and represents a victory for the leadership of Mr Bill Kelty, the ACTU secretary, and Mr Simon Crean, its president.

The alliance between the ACTU and the ruling Labor Party Government – and particularly between Mr Kelty and Mr Paul Keating, the Federal Treasurer – has been a central feature of the Government's economic policy since it came to power in 1983.

Known as "The Accord", it has undergone a slow but inexorable metamorphosis, culminating in yesterday's decision to pursue a "restructuring" of pay awards so that wage rises, in effect, flow from productivity gains.

The change represents a natural extension of the "two-tier" wage system which has been operating since March 1987. Under this, lower tier rises were determined in the traditional way, through argument before the Arbitration and Conciliation Commission and dictated largely by cost of living considerations.

Second-tier increases were linked to productivity changes, or more accurately the removal of inefficiencies at individual workplaces which arose from restrictive work practices.

The two-tier system has generally been regarded as a success, and the trade union movement now wants rises linked to restructured pay awards which eliminate the vast array of different job classifications in key industries.

The pay rise figure being mentioned is A$20-A$30 per week – or 4.5 per cent to 6.5 per cent on average wages of around A$450 (£214) a week. But this will have to be negotiated with the Government, which wants to see a trade-off between wage rises and personal tax cuts promised for the year beginning next July.

Overall, the idea is to maintain a tight wages policy – Australian workers have suffered a decline in real wages under Labor – but to promote improvements in standards of living and company competitiveness.

Leftists present Peres with an almost unprecedented political reversal

Israeli Labour 'Young Guard' risk party poll hopes

By Andrew Whitley in Jerusalem

EVEN AS they were mounting their revolt against the party leadership, Labour's "Young Guard" knew that by their action they could be condemning Israel's historic party of government to a long spell in opposition.

Parallels with the unending torments of the British Labour Party are compelling. On Wednesday night, a leftist-inclined bloc within Labour's 120-strong executive bureau threw out a motion proposed by Mr Shimon Peres, the party's leader, and all but one of its other Cabinet ministers, to join a broad coalition government under Mr Yitzhak Shamir, the Likud Prime Minister.

It was an historic, almost unprecedented, reversal for the party leadership; one which the Israeli press was comparing yesterday with the way in which the late Mrs Golda Meir was forced to step down in 1974. "It was the first victory of the young generation over the old," commented one member of the executive bureau.

But what this new generation of Labour politicians, most of them in their early 40s, now intend to do with their power is about as clear as London in a Victorian pea-souper of a fog. Was it a tactical move, to wring better terms out of Mr Shamir, a man patently upset with the result?

Or was it a signal that most of Labour would prefer to sit out the next few difficult years in opposition, rather than help the Likud out of its anticipated jam? Some interpreted the setback for Mr Peres and his co-sponsor of the broad coalition platform, Mr Yitzhak Rabin, the Defence Minister, as a warning shot.

Satisfied with having demonstrated their strength within the party, this argument runs, the youngsters would retire from the field and leave the veterans to get on with picking up the coalition pieces. Others saw it as the first stage of a serious challenge to the group of familiar faces.

Sensing the change in the wind, immediately after Wednesday's vote was announced, Mr Moshe Shahal – the Iraqi-born Energy Minister who barely disguises his own aspirations for the top job – declared the need for a "renewal" of the leadership.

The organiser, and real victor, of the revolt, Mr Uzi Bar-Am, Labour's socialist-minded secretary-general, was more cautious, preferring to bide his time. What all Labour politicians could agree upon, though, was that the vote represented a declaration of unwillingness by its supporters to compromise on their ideological principles.

Israel's Labour Party, rather like its British counterpart under the then Mr Jim Callaghan, has moved steadily towards the centre in recent years, shedding its pure socialist origins in favour of a pragmatic stance on economic and social issues.

There is considerable evidence, demonstrated only a few weeks ago at the general election, that the electorate as a whole is also undergoing a shift to the right. Labour's 30 per cent share of the popular vote, its poorest ever showing, would have been even worse if it had not been for the support attracted by the hawkish Mr Rabin. But, within the party membership, particularly in its middle ranks, the unmistakeable trend is in the opposite direction.

On the Arab/Israeli dispute, men such as Mr Yossi Beilin, Mr Avraham Burg and Mr Haim Ramon, the leading conspirators, are distinctly more dovish than their elders.

The confusion surrounding Israel's coalition-building negotiations mounted yesterday, as both the Labour and Likud leaders resumed their sporadic courtship of ultra-Orthodox parties, Andrew Whitley writes.

Mr Shimon Peres, the Labour leader and Foreign Minister in the current caretaker Government, signed a binding political pact with Agudat Yisrael, one of the religious factions which won increased support in the November 1 elections and which had earlier declared its support for the right-wing Likud party of Mr Yitzhak Shamir, the Prime Minister.

The pact of mutual support, negotiated within hours of Labour's rejection of a broad coalition with Likud, obliges each side to include the other in any new coalition line-up. Mr Peres said it would give him a "blocking majority" to obstruct Likud's chances of forming a narrow coalition with the religious parties.

Including six Arab Knesset members who cannot be included in any government, Labour believes it now commands the support of 60 parliamentarians, against 58 backing its main rival. The position of a two-man, ultra-Orthodox faction, Degel Hatorah, remains obscure.

Mr Shamir, who was asked by President Chaim Herzog to form a government two and a half weeks ago, said yesterday that he was very disappointed by the outcome of the Labour Party executive bureau's vote on Wednesday night. Its members narrowly rejected their leadership's call to join Likud in a broad coalition.

Likud's negotiators have themselves resumed talks with small right-wing parties on forming a bloc of nationalist and religious parties capable of commanding a Knesset majority.

Observers asked to oversee Sri Lanka poll

By Mervyn De Silva in Colombo

MR SHAHUL HAMEED, the Sri Lankan Foreign Minister, has invited observers from the Commonwealth Parliamentary Association, the International Parliamentary Union and Sir Sridath Ramphal the Commonwealth secretary-general, to monitor the December 19 presidential election.

Mr Hameed's appeal followed mounting pressure on President Junius Jayawardene, especially from Mrs Sirimavo Bandaranaike, the former prime minister to "ensure a free and fair election".

Mrs Bandaranaike is standing for President against Mr Ranasinghe Premasada, the current Prime Minister.

Mr Jayawardene has promised the opposition parties that he would consider their other main demand, the immediate dissolution of parliament, where the UNP has a five-sixths majority, and the calling of parliamentary elections. At present these are not due until next August.

The appeals and demands, however, might be academic since it seems possible no elections will be held at all. There is much speculation Mr Jayawardene, who is ostensibly due to retire as President on January 3, might suspend the constitution and carry on with the support of the armed forces.

Whether even such a drastic step could halt the island's current drift towards anarchy was put in doubt by a letter the President has just received from the State Administrative Services Association (Sasa).

The Sasa told the president that its members were unable to carry out their duties in most parts of the island in the face of threats from unidentified persons on the one hand and from the police and army on the other.

The Sasa includes all government agents who run the country's civil administration in 24 districts. Its members supervise all national elections.

Unless certain urgent matters were resolved early, its letter added, conditions would not improve sufficienty before December 19. The association then went on to make the most extraordinary demand in the 40 year history of Sri Lanka's once neutral civil service, the bulwark of the island's democratic system.

Jayawardene: due to retire

It urged Mr Jayawardene to accede to the request of the venerable Mahanayakes (the island's highest buddhist prelates), the Anglican Archbishop, the Catholic bishops conference and the Hindu and Moslem clergy.

The Sasa letter said the Mahanayakes felt there could be widespread violence perhaps even a bloodbath unless a caretaker Cabinet was set up which would then oversee the holding of both presidential and parliamentary elections.

Most Sri Lankans found little difficulty in identifying the unidentified persons referred to in the letter. It is a reference to the extremist Sinhalese JVP (Peoples Liberation Front) and the DJV (the Patriotic Peoples Movement).

The JVP leader, the 44-year-old Mr Rohana Wijeweera, denies that the DJV, accused by the Government for most of the 700 political killings in the past year, is the JVP's military wing, but Mr Lalith Athulathmudal, the National Security Minister, said "it is a wholly owned subsidiary of the JVP".

Death threats to public servants, shop-keepers, bus drivers banks, hotels and factories, followed by swift, deadly reprisals against those who ignore these "messages" has created what Mr Jayawardene calls a "fear psychosis" that pervades Sri Lankan society at all levels.

The "fear psychosis" affects supreme court judges, cabinet ministers, trade union leaders, and newspaper bosses. On a private visit to Paris, the Justice Minister telexed the president his resignation while his conscientious deputy quit when the government refused to dissolve parliament. A government MP found himself a job in Oman, having left his constituency without "informing his pillow", as the Sinhala expression goes.

The stunning resurgence of the JVP, a one-time guevarist youth party, follows the India-Lanka peace accord of July last year. The majority of Sinhalese, more than 75 per cent of the population, regard the accord as a sop to Tamil minority separatists by a treacherous Mr Jayawardene, and a surrender of Sri Lankan sovereignty to the big neighbour, which throughout a 2,000 year recorded history, has been the source of invasions.

The President will incur his own candidate's wrath if he dissolves parliament and risks a Bandaranaike victory. But only such a victory can perhaps give Sri Lanka a breathing space from the JVP as they are less opposed to Mrs Bandaranaike than the current regime.

Miyazawa 'likely to be replaced'

MR KIICHI MIYAZAWA, Japan's Finance Minister, is likely to be replaced because of his involvement in a share scandal, in a Cabinet reshuffle expected soon, political analysts said yesterday according to Reuter in Tokyo.

Japan's opposition renewed their demands for his removal after he told parliament yesterday his secretary had made Y20m (£90,000) profit from shares bought in Mr Miyazawa's name.

Political analysts said Mr Miyazawa's political reputation had been substantially damaged by the affair and his continued presence in the Cabinet provided an opportunity for the opposition parties to delay parliamentary business.

Sikhs'plea rejected

Last minute appeals by two Sikhs condemned to hang for the assassination of Mrs Indira Gandhi, the late Prime Minister, were rejected by the Indian High Court yesterday, Reuter reportsd from New Delhi.

Lawyers for Mr Satwant Singh and Mr Kehar Singh went to court to challenge President Ramaswamy Venkataraman's rejection of mercy petitions and try to halt the double hanging set for today.

The High Court bench rejected Kehar's appeal with the single word "dismissed" but his lawyer rushed straight to the Supreme Court for a desperate final effort to prevent the execution.

China oil find

Exploratory tests have confirmed the existence of a big oil field in the rugged Tarim Basin area of far western China's Xinjiang Uygur Autonomous Region, an official daily newspaper said, AP-DJ reports from Peking.

The China Daily, quoting an announcement of the General Corporation of Petroleum and Natural Gas, said the 17,125-foot-deep No. 2 exploratory well had yielded a "surprisingly high" oil and gas stream.

South Korea growth

South Korea's economic growth will slow to a single-digit figure next year while its current account surplus will also narrow to less than $10bn, government economists predicted according to AP in Seoul. The Economic Planning Board predicted the nation's economy, expected to grow 11.5 per cent this year, will increase by 8 per cent to 9 per cent in real terms in 1989.

ANC fall to death

South African police yesterday claimed that an 18-year-old suspected African National Congress activist, who was handcuffed and escorted by security policemen, threw himself to his death from the seventh floor of a block of flats in Johannesburg, Anthony Robinson writes. Mr Amos Khoza, the dead teenager, had been arrested in Klerksdorp by the security branch after midnight and then interrogated. After this the police said he agreed to point out a flat in Johannesburg where he was alleged to have made contact with an ANC member.

In South Africa there have been a number of cases of suspects dying after falling from windows

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WORLD TRADE NEWS

Gatt strategy urged on Yeutter

By Nancy Dunne in Washington

A SPECIAL advisory committee, mandated by Congress to advise Mr Clayton Yeutter, the US Trade Representative, has suggested that during next week's midterm review of international trade talks he seek commitment from the EC to extend the General Agreement on Tariffs and Trade to new areas "in parallel with the implementation of its internal market programme."

The high-powered group also urges US negotiators not to agree to early concessions on tropical products unless long-term commitments on agriculture reform are agreed.

The recommendations are contained in a lengthy report detailing other strategy goals for the talks. Trade ministers will seek to sort through key disputes over trade in services, intellectual property rights and agriculture.

The advisory group says: "To avoid perceptions of intransigence, the US [should] be prepared to offer flexibility in its position with respect to the date for complete elimination of trade-distorting subsidies."

Once satisfactory agreement is reached on long-term objectives for agriculture, the US may agree to short-term measures consistent with the long-term goals, the report says.

"Under no circumstance should the US agree to commitments on supply control that would take the pressure off countries and reduce US leverage to obtain permanent reform of global agricultural productions and trade policies," the report says.

The advisory committee also notes that at least one group of farm producers expresses "serious reservations about completely eliminating all agricultural stabilisation programmes."

In other areas, the report urges the following stances:

● On trade in services, seek a commitment to negotiate a set of 10 principles, including national treatment and right of establishment, and obtain agreement on a negotiating timetable and procedures. Take a positive approach toward developing countries without granting blanket concessions. "It is premature to remove any service sectors from the negotiating table at this time, with the exception of labour movement and immigration issues, which should not be covered."

● Keep all trade-related investment measures on the table, seek consensus that additional Gatt discipline is necessary and establish a work plan for the next two years.

● On subsidies, industrial export targeting and certain exchange-rate arrangements should be recognised as a form of subsidisation and made subject to Gatt discipline.

● A Gatt anti-counterfeiting code would not be acceptable as an "interim" agreement on intellectual property rights. It notes that the US defence industry is particularly worried about this issue, particularly regarding software, and barriers to related trade.

Farm policy reform, Page 42

BP outlines its hopes for Uruguay Round

By Peter Montagnon, World Trade Editor

BRITISH Petroleum yesterday became the first UK company to submit a position paper to the Government outlining its expectations from the current Uruguay Round of multilateral trade negotiations.

The paper, which is also being sent to the EC Commission and the General Agreement on Tariffs and Trade in Geneva, as well as to governments in countries where BP and its associates operate, marks a rare intervention in the Uruguay Round by a European private sector concern.

BP says it welcomes the Uruguay Round, which is to be reviewed at ministerial level in Montreal next week, because it supports efforts to push back the forces of bilateralism and protection. But it has also identified a wide range of areas where success in the round could be of practical help to its business.

Significantly, it says it attaches considerable importance to liberalising trade in services where it says its operations have been hampered by national restrictions on insurance, telecommunications and financial services in some countries.

BP also says it suffers an estimated loss of £20m to £50m annually as a result of counterfeiting and faces a number of restrictions on investments. Even in Colombia, a relatively liberal developing country, royalties cannot be remitted until trade marks have been registered, a process which takes three to four years.

It says its interest in the Uruguay Round extends into other areas too, such as agriculture, where for many years its industrial alcohol business has been overshadowed by surpluses of fermentation alcohol produced through conversion of surplus EC farm products. Among the tropical products covered by the round, it is an importer of tapioca, which is produced in Thailand, Indonesia and China and subject to EC import quotas. Though the paper does not offer detailed suggestions as to how all these problems should be handled by Gatt, BP officials say it shows how far-reaching the round is in terms of practical relevance, a conclusion which it believes could apply to other multinational concerns as well.

Among other specific trade problems which it cites as affecting its business are the US ban on exporting Alaskan crude oil and on the importing uranium, both of which are currently permitted by Gatt on grounds of national security.

UK urges Brussels to rule on Nissans

By William Dawkins in Brussels

THE British Government has called on the European Commission to bring a clear settlement to the five-month row with France, and more recently Italy and Spain, over whether UK-built Nissan cars should be guaranteed free EC market access.

Lord Young, the UK Trade and Industry Secretary, has written to Lord Cockfield, the Commissioner responsible for the internal market, asking for a ruling on whether the Sunderland-built Bluebirds should be treated as European or Japanese. The letter also asks the Brussels authorities to examine restrictions on Nissan car shipments being imposed by Spain, the latest country to be drawn into this highly sensitive dispute.

While the tone of the letter is understood to be diplomatic, it is a sign of the UK Government's anxiety to remove this uncertainty hanging over Nissan's attempts – backed by generous British investment assistance – to establish itself as the first large-scale Japanese car-maker in the Community.

The controversy began when France threatened during the summer to count sales of Nissan vehicles built in Britain under its 3 per cent of market share quota for Japanese cars. Italy threatened to do the same last month, and Nissan has now told the British Government that it is encountering restrictions to the Spanish market.

Paris and Rome argue that the UK-built Nissans do not have enough European content to be counted as EC products. The French Government claimed in response to the Commission's initial inquiries that the cars had been granted type approval and were being accepted duty-free. But it avoided, to the UK's concern, answering the central question about whether they would be subject to import quotas.

As a result, Lord Cockfield advised the Department of Trade and Industry that Nissan's imports to continental Europe should go ahead as normal and that the Government should let the Commission know later if the car maker encountered further restrictions. Lord Young's latest letter is the response to this advice.

A strong body of opinion within the Commission believes such controls contravene EC free trade rules, but the Brussels authorities have made no official ruling. The EC's 20-year-old regulation on the definition of a European product is vague and has so far been applied only on a case-by-case basis.

This dispute has increased the pressure on the Commission to settle the general uncertainty over local content rules, something which will have an important bearing on the growing volume of Japanese and other foreign investment in the EC.

Manila sues Westinghouse over nuclear power station

By Richard Gourlay in Manila

THE Philippine Government yesterday sued Westinghouse Electric, claiming the US company paid bribes that benefited former President Ferdinand Marcos to procure a contract to build a nuclear power station which eventually cost $2.1bn (£1.1bn) but has never operated.

The case, filed in a New Jersey court and announced in Manila by Mr Sedfrey Ordonez, the Justice Secretary, called for the cancellation of the contract, the return of all moneys paid and compensatory damages.

It also named Burns and Roe, the New Jersey company which with Westinghouse designed and built the plant, which was finished in 1985. It claims a recent technical audit shows there are serious design and construction faults that justify President Corazon Aquino's decision in 1986, soon after she took power, that the plant should not operate.

The alleged fraud and bribery involved in the Westinghouse contract has frequently been cited in Manila as justification for selective repudiation of the Philippines' $28.9bn international debt.

Mr Ordonez pointed out the dormant power plant costs the country $355,000 a day in interest alone but the complaint is notably devoid of any suggestion that the Philippines should renege on its Westinghouse-related debts.

In a statement from Pittsburgh, Westinghouse said the case was based on politically-motivated opposition to the 620-MW plant and nuclear power. It said that once Mr Marcos was ousted in 1986 there was never any intention to operate the plant, even though Westinghouse's own studies showed it was ready to load nuclear fuel.

A spokesman said the case could take 10 years in the courts.

Yesterday's filing follows a lengthy period in which the Philippines failed to reach a negotiated settlement with Westinghouse. Westinghouse has admitted in the past paying $17m to companies controlled by Mr Herminio Disini, a close Marcos associate who now lives in Austria, for representational expenses.

Philippine Senator Rene Saguisag said earlier this week that the Westinghouse deal, which gave the Philippines its largest single component of foreign debt, epitomised the worst kind of corruption and evil in the Marcos regime.

Of the final $2.1bn that the plant cost to build, nearly double its initial estimate, nearly half is due to the US Export-Import Bank. The next largest creditor is Citicorp International.

Philippines tries to untangle inadequate telephone wires

Richard Gourlay on the need for a telecom policy

BUSINESSMEN plug their private telephone lines into fax machines for part of the day and some 300,000 people on the waiting list can look forward to a three year delay before Philippine Long Distance Telephone Co might instal a phone – the black market rate for a telephone number in Manila is approaching $2,000.

Like many developing countries struggling to join the international marketplace, the Philippines remains isolated and underdeveloped partly because of its chronically inadequate telecommunications system.

The Government has identified better communications as the *sine qua non* of higher investment and greater economic activity but is still struggling to find a policy formula that will allow the private sector to lead the way.

A World Bank team arrived in Manila recently to discuss a $40m loan for development in the rapidly growing southern island of Mindanao. Like recent help from the Asian Development Bank elsewhere in the country, the loan will be little more than another palliative.

More importantly, the Bank will be working with Mr Rainerio Reyes, the Secretary of Transport and Telecommunications, and ADB-financed consultants to develop a policy for regulating telecoms companies and encouraging desperately-needed investment.

Since 1986, when President Ferdinand Marcos's fingers were prised from PLDT's controls, leaving the New York and Manila-quoted company as a private monopoly, the Government has fudged crucial policy issues.

How, for example, should it harness the private sector to develop a crucial public utility. How far should government finance the necessary growth and guarantee that foreign exchange will be available to repay investors?

How should it regulate PLDT, which is not just a private monopoly but one that is closely controlled by one family, the Cojunagcos, and supported by well-entrenched interests?

On a wider level the telecommunications industry may provide a blueprint for government in other privately controlled utilities such as electricity, where the role of state guarantees and regulation is equally unclear, economists say.

The Government is under some pressure to clarify its policy because of PLDT's attempt to push ahead with a hugely ambitious $1.9bn expansion, which will more than double the number of lines to 2m. About $500m is needed immediately to finance this project,

> Since 1986, when President Ferdinand Marcos's fingers were prised from PLDT's controls, leaving the New York and Manila-quoted company as a private monopoly, the Philippines Government has fudged crucial policy issues

the brainchild of Mr Antonio Cojuangco, the president of PLDT and a cousin of President Corazon Cojuangco Aquino.

PLDT is about to award the contract for the first $350m phase of the "X-5 expansion" which will provide 130,000 new lines and switchboards.

In its own piecemeal way the Government has tried to increase competition by launching the National Telecommunications Programme. Costing $369m and using Italian, French and Japanese credit, the project should provide 138,000 lines in three areas outside Manila over a five year period.

Mr Reyes would like PLDT's share of telephone lines cut from about 94 per cent at present - 85 per cent in Manila - to 50 per cent over that period.

However, analysts say it seems unlikely that a private company will be able to operate these areas profitably without more international business, with the result that the Government may be sliding into a long term role in the telecommunications supply.

Mr Reyes also supports alternative operators such as Eastern Telecommunications Philippine Inc (ETPI), a subsidiary of Britain's Cable and Wireless, which set up Digitel earlier this year as a traffic carrier.

Its application for a franchise, however, is stuck in Congress and essential approvals of a second gateway switch - which links overseas and domestic customers - are still pending with the Government.

Though the administration has so far made some effort to encourage competition, the Government is going to be forced to play ball with PLDT, which remains the only game in town.

"You cannot dig up both sides of the road," one international economist said.

Equally, the World Bank is almost certain to tell the Government it must shake off its reluctance to provide guarantees if the huge sums involved are to be financed. And some economists and Congressmen believe that the Government will have to cajole PLDT into putting more lines into unprofitable forgotten rural areas in return for leaving its monopoly effectively intact.

If changes in government policy are major they are likely to be strongly resisted but PLDT, an organisation with significant clout which some critics say springs from Mr Cojuango's close relationship with his cousin.

An example of that clout is how PLDT avoided being sequestered in 1986, says a former lawyer for the Presidential Commission on Good Government which is hunting down wealth allegedly stolen by Mr Marcos and his cronies.

Mr Marcos, through a dummy company, owned 46 per cent of Philippines Telecommunications Investment Corp, the holding company that controls the majority of the voting shares of PLDT.

Most of the remaining 54 per cent of votes are controlled by the Cojuangco family, which has managed to retain control of nine of the 11 PLDT board seats.

By deciding that economic development will not take place without improvements in telecommunications the Government has taken one step. Implementing a clearer policy is another, but Mr Reyes appears confident about what it entails.

"PLDT was OK with Marcos - things are different now."

£100m loan facility for Indonesia

By Peter Montagnon, World Trade Editor

BRITAIN yesterday signed a new £100m soft loan facility for Indonesia to finance development projects to be agreed between the two governments over the next two years.

Credit made available under the facility will carry interest at 3.5 per cent and a maturity of 25 years, the standard terms required by the Indonesian Government on such finance.

It will replace an existing £140m credit line, originally due to expire at the end of September but extended until January.

Though Britain is now making fresh funds available to Indonesia, Overseas Development Administration officials acknowledge that administrative difficulties in Jakarta, where local ministries vie for responsibility for development projects, have previously made it hard to develop business under existing arrangements.

The £140m is still not fully used up, although officials will not say how much remains unspent. The unused balance will be added to the new £100m facility after next January. Britain is not alone in having difficulty persuading Indonesia to take up offers of aid finance.

HK venture for Thorn

THORN LIGHTING, subsidiary of the Thorn EMI electronics and entertainment group, has established a joint venture in Hong Kong. This marks an effort to increase its share of the Asian market, writes Clay Harris.

The 50-50 agreement with Jardine Engineering of Hong Kong replaces a 37-year arrangement under which Jardine acted as Thorn's local agent in the colony and in China.

The new company will also handle sales to Taiwan, Macao and the Philippines.

Thorn is aiming especially to win large contracts for lighting projects in China.

It plans to supply fittings for exterior flood lighting and street lighting from a factory which is shortly to open in Malaysia.

Qantas refusal to carry NZ cargoes upsets exporters

By Dai Hayward in Wellington

A REFUSAL by Qantas of Australia to carry New Zealand export cargo from Sydney to Japan, giving preference instead to Australian exporters, has been seized on by those opposing the bid involving Qantas for Air New Zealand, the state-owned flag carrier.

Qantas, along with Japan Air Lines and American Airlines, has mounted an offer as part of a consortium led by the local Brierley Investments (BIL) to buy Air New Zealand, which is being privatised.

Under the terms of the offer, the Australian state carrier would keep 19 per cent and the other two airlines 7.5 per cent each to make up 35 per cent of Air New Zealand – the maximum which the Government will permit to be sold to overseas interests. BIL would keep 35 per cent and the remainder would be offered to the New Zealand public and staff of Air New Zealand.

Several exporters, mainly those shipping fish to the Japanese market, are upset by an apparently sudden decision by Qantas to refuse New Zealand cargo out of Sydney on three days a week.

Defending its policy of favouring Australian exporters in the allocation of cargo space, Qantas says other countries would expect their national airline to do the same. If its consortium bid is successful, Qantas would not interfere in Air New Zealand's dealings with its customers.

One exporter, Polar Products, has been shipping all its exports to Japan by Qantas for 17 years. Last year it sent 1,200 tonnes of fish with the Australian airline. Polar's managing director, Mr David Bell, has strongly criticised Qantas and expressed doubts for the future of other New Zealand exporters if Qantas gains a substantial holding in Air New Zealand.

National Party opposition MPs have also questioned the future for Air New Zealand exporters if the New Zealand airline is sold to the Qantas consortium. Polar Products and three other big exporters have protested to the New Zealand Government and asked the Prime Minister, Mr David Lange, and the Overseas Trade Minister, Mr Mike Moore, to intervene to help exporters.

The consortium claims that the three airlines would promote New Zealand tourism and expand Air New Zealand's passenger numbers. JAL and American Airlines are two big northern hemisphere carriers, which would make them appropriate associates for Air New Zealand, giving it the benefit of one of the world's largest computer reservations systems, owned by American Airlines.

The rival bidder, of which British Airways is a major partner, is a consortium led by the investment bank DFC New Zealand. British Airways and the Japanese tourist investment company EIE would between them take up 35 per cent of Air New Zealand. Another 30 per cent would be offered to the public and Air New Zealand staff, and the other 35 per cent placed with big New Zealand institutions.

EIE is a big Japanese company and the consortium says the link with both Japan and European services through British Airways would give Air New Zealand the best results from its sale.

Government sets out programme for selling electricity industry

State to help fund cost of decommissioning N-plants

By Maurice Samuelson

THE GOVERNMENT is prepared to contribute between £1bn and £2.5bn to cover unforeseen costs of decommissioning nuclear stations and handling nuclear waste after the electricity industry is privatised.

This will be in addition to the imposition on all electricity consumers of a "non-fossil" levy. It was suggested last night that this provision was agreed by the Cabinet only after strenuous representations from the Central Electricity Generating Board that without it National Power, the CEGB's daughter company which will inherit nuclear plants, would be unsaleable.

The Government's plans for legislation to sell the electricity industry show that it will be the most ambitious disposal in the Government's privatisation programme. It is expected to be worth £15bn to £20bn.

Mr Cecil Parkinson, Energy Minister, yesterday described the programme as "radical but evolutionary". The CEGB will be divided into two rival generating companies.

Responsibility for security of supply will be transferred from the CEGB to the distribution side of the industry, which will control the operations of the National Grid.

Like last week's proposals for selling the water industry, the electricity legislation omits many of the details of how the industry will work.

These include the licences to be required for producers and suppliers of electricity and the commercial contracts with which the industry will enter the private sector.

However, the Bill does explain how consumers and taxpayers would have to bear the extra cost of nuclear power stations, which the Government says are essential to ensure diversity and security of electricity supplies.

At present, 80 per cent of Britain's electricity is coal-fired. With many older nuclear stations approaching the end of their lives, the Government wants to ensure that the present ratio of nuclear to conventional power stations is not altered at the expense of nuclear.

Mr Parkinson yesterday strongly rejected Opposition claims that privatisation would increase householders' electricity bills by 25 per cent in two years.

He also denied that the nuclear fossil levy constituted a new tax. Its proposals for financing nuclear power would "merely open up" the costs which already existed but which had been "lost" in the electricity industry's present accounting methods.

He also said that the public had for a long time been paying a "coal tax" both through taxation and in electricity prices.

In the nine years since the Conservatives came to power, the Government had paid £9bn to support the coal industry. In addition, the electricity industry claimed it was paying £500m-£700m "over the odds" for British coal rather than cheaper imports.

● The precise form of the flotation has yet to be decided, but the offers would be designed to encourage a wide spread of share ownership.

Individuals will be able to acquire shares in both their local electricity supplier and more widely.

Mr Parkinson said that the successors of the present area boards would be able to shop around for the electricity they needed.

They opened up to public examination the costs and performance of the industry. The regulatory regime and package of customer rights would make the whole industry more answerable to those it served and customers and employees would be able to buy shares.

The Bill embodies six principles: The first is that decisions about electricity supply shall be driven by customers' needs. Area boards will have to supply electricity on reasonable terms to all customers. Public suppliers will be able to contract for sufficient capacity from the two new generating companies, from new private suppliers, from Scotland, from France and by generating electricity themselves.

The second principle is that competition is the best guarantee of customers' interests. In addition to breaking up the existing industry, Mr Parkinson said he knew of up to 20 proposed independent power projects totalling over 5,000 MW of new capacity.

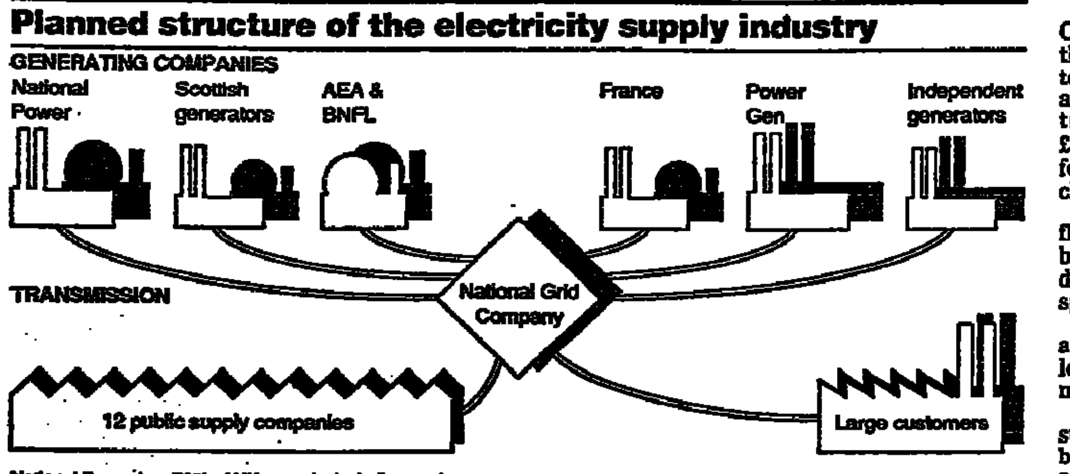
The third principle is that regulation shall be designed to promote competition, oversee prices and protect customers' interests where natural monopolies – notably the area supply companies – remain.

The regulator will have to promote competition in generation and supply. At the heart of the regulatory regime will be licensing arrangements to control prices which suppliers can charge. They will also allow suppliers other than public bodies to supply direct to specified premises.

The fourth principle is to maintain security and safety of supply. That will be done by maintaining the integrity of the national grid and its system of operating power stations in order of merit.

Editorial comment, Page 22; Lex, Page 24

Planned structure of the electricity supply industry



National Power has 70% of UK capacity including nuclear
Power Gen has 30% of UK capacity, no nuclear stations
Nuclear capacity equals approximately 20% of total

'No plans' to take mortgage costs from inflation measure

By Philip Stephens, Political Editor

MRS Margaret Thatcher, the Prime Minister, said yesterday that there were no immediate plans to take mortgage interest payments out of the measured inflation rate, but she appeared not to rule out indefinitely such a change.

Echoing comments made earlier this week by Mr Nigel Lawson, the Chancellor of the Exchequer, Mrs Thatcher said that the inclusion of mortgage payments in the retail prices index obscured the underlying trend of inflation.

They had the perverse effect that a tightening of monetary policy produced a rise in the recorded inflation rate and very few other countries used them in measuring inflation.

In response to repeated calls from Mr Neil Kinnock, the opposition Labour leader, for a firm assurance that the Government would not remove the payments from the Retail Price Index she replied that there were "no immediate proposals" to do so.

Mrs Thatcher said that if they were excluded, some alternative measure of housing costs would have to included in the RPI. Such a move would also be also have to be considered by the advisory committee which considers changes to the index.

The careful wording of Mrs Thatcher's response – referring only to the fact that there were no immediate proposals – left the impression at Westminister that the Government is leaving open the option of changing the index at some future date.

Mr Kinnock said that he was "unconvinced" by the reply and last night Mr Gordon Brown, the Labour spokesman on the Treasury, wrote to Mr Lawson asking for a "categorical assurance" that mortgage costs would be retained in the index. Their removal now could hit the index-linked pensions and benefits paid to millions of people.

The advisory committee, which was reconvened two months ago, is considering the implications for the RPI of the forthcoming replacement of domestic property taxes by the poll tax as well as a number of other minor changes.

The Government could propose at any time that it study an alternative measure of housing costs, but one senior minister said last night that there was no "head of steam" for an early change.

Bill removes limits on work hours for 16 to 18-year-olds

By Charles Leadbeater, Labour Editor

ALL restrictions on the hours which young people aged between 16 and 18 years can work are to be abolished by an Employment Bill published yesterday.

The Bill also removes those legislative restrictions on womens' employment, which prohibited them from working in mines.

It will give women the same rights to statutory redundancy pay as men.

Mr Norman Fowler, the Employment Secretary, described it as a "deregulation and anti-discrimination Bill" which would provide women with genuine equality of opportunity in the jobs market.

The minister said that the repeal of legislation on young people's hours swept away archaic regulations which he said were unecessarily complex and were not needed to provide them with protection.

Mr Meacher, the opposition Labour party's spokesman on employment said that the Bill would lead to more intense exploitation of young workers. Evidence from the industry most likely to gain, industrial bakeries, showed that young workers might be employed for 58 hours a week on night shifts, he said.

Mr John Monks, the deputy general secretary of the Trades Union Congress, said the Bill would be a charter for bad employers by eroding individual employment rights.

The repeal of legislation governing the employment of young people in factories, mines and shops, some of which dates back to the Employment of Women, Young Persons and Children's Act of 1920, will allow 16 to 18-year-olds to be employed at night in factories.

It will also remove restrictions which at present limit the working day in some industries to between 7am and 8pm. Other restrictions will also be removed on the length of the working day to nine hours, weekly hours and weekend working.

Regulations governing the work of young people with dangerous machinery and substances will be retained, as will legislation covering employment of school children and work in public houses and betting shops.

All legislation which involves discrimination on grounds of sex in employment will be overidden by the Sex Discrimination Act 1975, except health and safety regulations covering womens' exposure to lead and radiation, their employment on board ships and aircraft and the employment practices of some womens' educational institutions.

The Bill also formally abolishes the Training Commission, and gives to the chairmen of industrial tribunals the power to ask applicants with a weak case to provide a deposit of up to £150 before they can pursue it.

It also contains a series of measures covering employment in small business, statutory redundancy payments and shop stewards' rights to paid time off for union busines.

Provisions in the Shops Act 1950 which specify meal times, holiday entitlements and hours of employment will be repealed, as will provisions in the Mines and Quarries Act 1954.

The bill will also mean that no child below the age of 16 can be employed in street trading unless employed by the child's parents.

"WATCH YOUR B*O*DY LANGUAGE."

Playing host each year to 36 million people from all over the world is no easy task. Here, noted manwatcher Desmond Morris treats us to a light-hearted look at some of the deadly, but unintentional, gaffes that can so easily occur when cultures collide at Heathrow, the world's premier international airport. To find out more about the eye-pull, the ear-tug, and the celebrated Greek 'moutza,' now read on....

I'm never bored at airports. Quite the reverse. I visit them like other people go to the ballet. To a Manwatcher, there's nothing more fascinating than observing citizens of different countries mingling and exchanging body signals.

And nowhere is the performance so enjoyable as at Heathrow, the world's top international airport.

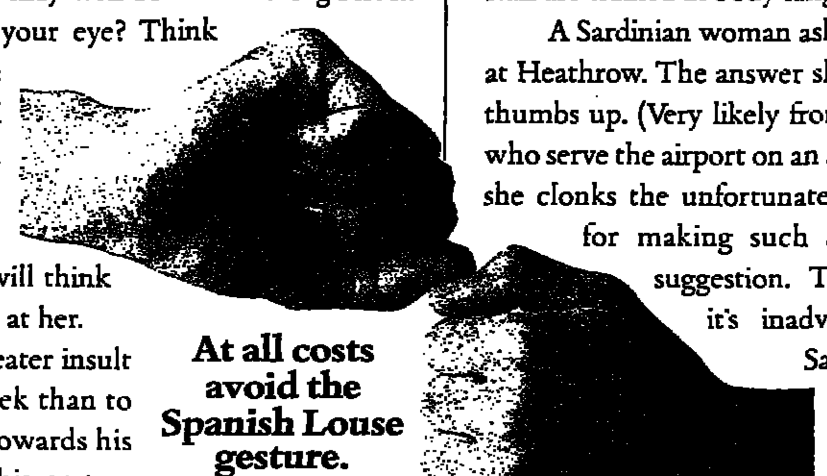
Day and night they pour in, a cast of 36 million a year from every corner of the globe.

Where else but Heathrow could you hope to see Brazilians rubbing shoulders with Brahmins, Poles with Polynesians, Madagascans with Minnesotans and Neapolitans with Nepalese?

Intelligence or stupidity? It depends whether you're Dutch.

Each nationality has its own language of posture and gesture. But since these body-lingos are often mutually incomprehensible, an innocent gesture made in an airport lounge may well be an unwitting insult.

Something in your eye? Think before you touch the lower lid. If a Saudi sees you, he'll think you're calling him stupid, but a South American senorita will think you're making a pass at her.



At all costs avoid the Spanish Louse gesture.

There is no greater insult you can offer a Greek than to thrust your palms towards his face. This gesture, called the 'moutza,' is descended from the old Byzantine custom of smearing filth from the gutter in the faces of criminals as they were led in chains through the city.

So vile is this insult that in Greece even the Churchillian Victory-V is taboo, as it looks like a half-'moutza.'

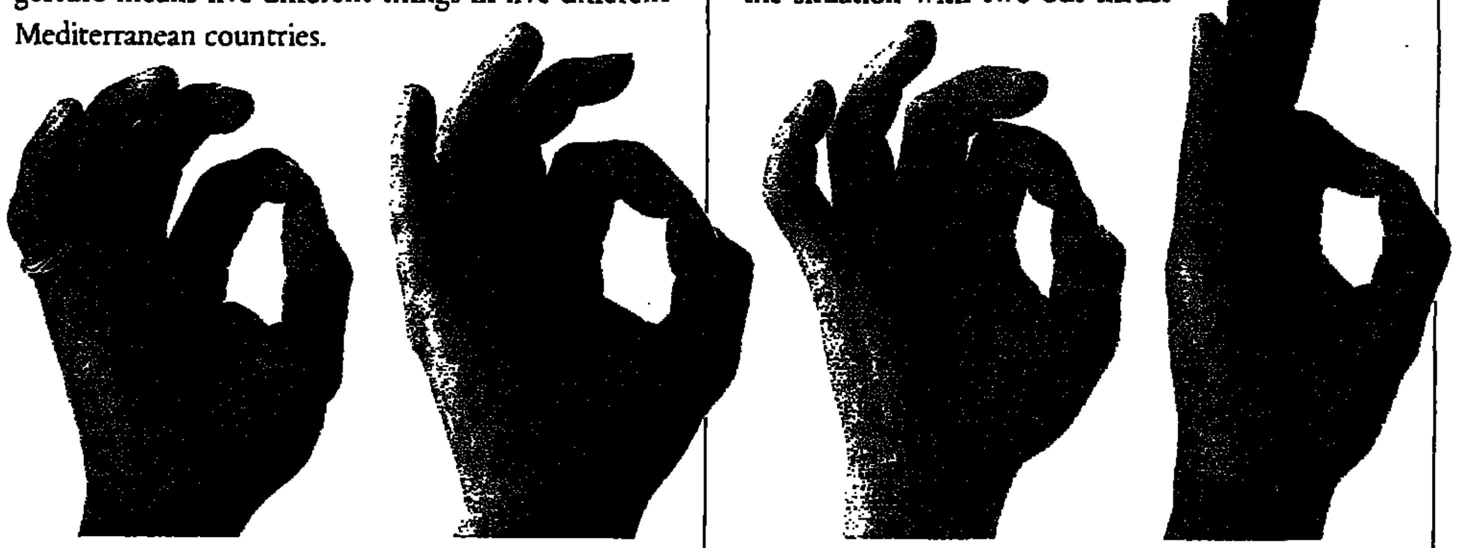
Thus the Cretan or Athenian traveller, ordering two teas in a Heathrow restaurant, will carefully reverse his palm and give the waiter two fingers in the best Harvey Smith manner. With 22,600 orders for cups of tea open to misinterpretation every day, the wonder is the place functions at all.

This means five different things (four of them insulting) in five different countries.

It's so easy to give offence. Suppose a passenger asks at the Information Desk where he should go to pay his airport tax.

Now the good news is that at Heathrow, unlike many airports I could name, passengers don't pay any taxes. But just as the Information Assistant begins to say so, she is assailed by a tremendous itch and tugs at her earlobe.

Astonishing though it may seem, this simple gesture means five different things in five different Mediterranean countries.



In America this means 'A-OK.' **In France it means 'zero.'** **In Japan it means 'money.'** **In Tunisia it means 'I'll kill you.'**

Depending on his nationality, the Assistant has offered the passenger the following insult:

TO A SPANIARD: 'You rotten sponger.'

TO A GREEK: 'You'd better watch it, mate.'

TO A MALTESE: 'You're a sneaky little so-and-so.'

TO AN ITALIAN: 'Get lost you pansy.'

Only a Portuguese (to whom the gesture signifies something ineffably wonderful) would hang around long enough to hear the answer.

Happily, I can report that BAA's information staff are trained in body language.

A Sardinian woman asks if it is easy to find a taxi at Heathrow. The answer she gets is a cheery British thumbs up. (Very likely from one of the 900 cabbies who serve the airport on an average day.) Immediately, she clonks the unfortunate man with her handbag for making such a devastatingly obscene suggestion. This is why, incidentally, it's inadvisable to hitch-hike in Sardinia.

Isn't there at least one truly international gesture? Don't bet on it.

A Japanese asks an American passenger whether Heathrow has a luggage trolley service. It has. And as it happens, this service is not only first class, but FREE! So the Yank replies with the famous 'A-OK' ring gesture. But to the Japanese this signifies 'money' and he concludes there is a large charge for the service.

Meanwhile, a Tunisian on-looker thinks the American is telling the Japanese that he is a worthless rogue and he is going to kill him.

The ring-gesture can have further meanings.

A Frenchman has just read a BAA advertisement. Glancing around the restaurant in Terminal 4, he remarks wonderingly to his wife, 'You know how much zis aeroport cost the British taxpayer? Not a sou.' And he makes the finger and thumb ring which to him means 'zero.'

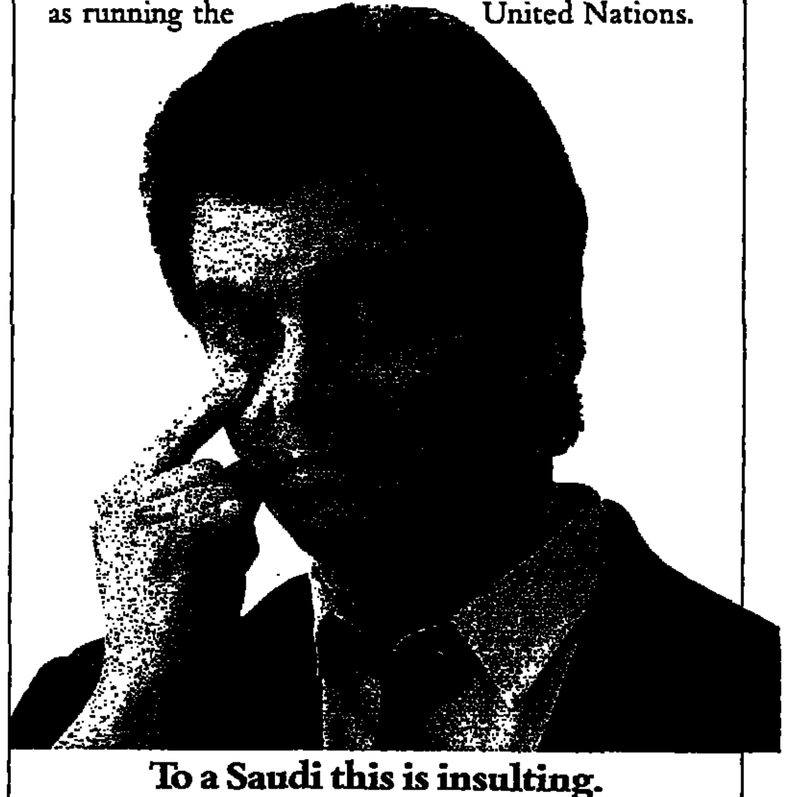
Unfortunately, at the time he is glancing at a Colombian who is enjoying a fine Burgundy with his steak Bearnaise. The Colombian, enraged by the deadly obscenity which he assumes is directed at him, chokes on his wine and catches at his nose with finger and thumb.

The Punjabi Snake Tongue means 'you're a liar.'

This appalls a Syrian sitting opposite, who thinks the Colombian is telling him to 'go to hell.'

The Syrian is restrained with difficulty by his Greek colleague from getting up and punching the Colombian on the nose. Meanwhile the maitre d' hurries over and attempts to calm the situation with two out-thrust palms. This of course is taken by the Greek to be a double-'moutza' and in his rage he promptly skewers the unfortunate man with his fish knife.

Of course I am exaggerating to make a point, but I do find it astonishing that Heathrow receives only 8 complaints per 100,000 passengers. Keeping the lid on this simmering rum-punch of international emotions must take every bit as much diplomatic skill as running the United Nations.



To a Saudi this is insulting. To a Florentine deeply flattering.

But even if you're never treated to such a choreography of misunderstandings, the Heathrow ballet is never dull.

Eyes peeled, next time you're there.

(And if you spot anything really unusual, like the South American Goitre Sign, or the Hawaiian Missing Bottle Waggle, do write and let me know.)

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Treasury's key money measure rising at 7¾%

By Simon Holberton, Economics Staff

THE TREASURY's key monetary indicator, M0, which measures mostly notes and coins in circulation, appears have continued growing at an annual rate of around 7¾ per cent, preliminary figures for November suggest.

This high rate of growth in M0 is believed to have been one of the reasons behind the decision of Mr Nigel Lawson, Chancellor of the Exchequer, to raise interest rates by 1 percentage point to 13 per cent last Friday, although the October trade figures released that day were the catalyst for the move up.

The Bank of England yesterday released its last weekly banking report for the banking month of November which showed that notes in circulation were 7.73 per cent higher than in the corresponding week of 1987.

Taking the month as a whole, and making adjustments for coins in circulation, and banks' balances with the Bank, analysts in the City estimate that M0 grew in November by between 7.75 per cent and 7.9 per cent. In October, M0 was growing at a rate of 7.7 per cent.

Mr Lawson said in evidence before the House of Commons Treasury and Civil Service Committee on Wednesday that the most reliable figures of private economic activity currently produced were the financial indicators. M0 is regarded by the Treasury as a good indicator of the growth nominal demand in the UK.

After interest rates were raised to 12 per cent in August there was a general expectation that by November the economy would have begun to respond to the tightening in monetary policy.

The high growth in imports in October and the continued buoyancy of M0, however, were enough for the Treasury to outweigh other signs that the economy may have been responding to the previous level of interest rates.

City analysts express disappointment that so far that does not seem to have been the case. Mr John Shepperd, of Warburg Securities, said that M0 had been growing at an underlying rate of 7¾ per cent since the summer.

"It has not changed since then; nominal growth is not slowing," he said.

Economists expect M0 growth to slow as consumers decide to hold less cash in favour of interest-bearing accounts with building societies and banks.

In Brief

Korn/Ferry and Stork agree terms for merger

THE BRITISH practice of Korn/Ferry International, the international headhunter, is to merge with John Stork International, a rival firm, Michael Skapinker writes.

Korn/Ferry said the merger would make it the UK's biggest executive search company.

Mr Stephen Rowlinson, chairman of Korn/Ferry in the UK, said the combined firm would have an annual fee income of about £7m.

He said that Korn/Ferry was particularly attracted by John Stork's Scandinavian practice. Although Korn/Ferry has practices in nine cities in Continental Europe, it has no Scandinavian offices. John Stork has offices in Stockholm and Gothenburg.

Societies merge

Portsmouth and Wessex building societies, both based in the south-coast resort of Bournemouth, will merge to create a group with assets of over £1bn.

VSEL chief quits

Dr Rodney Leach, 56, has retired as group chief executive of VSEL Consortium, Britain's sole nuclear submarine builder, three weeks after heart bypass surgery.

Nectar jobs

Nectar Cosmetics, a beauty products group in Northern Ireland, is to create 293 jobs in a £6.3m, three year scheme. The group at present employs 100.

Engineers in trouble

Three engineering groups in the Midlands, MB Wild, J. Barnsley Cranes and J. Barnsley and Sons, have called in the receiver. The groups, subsidiaries of Wild Barnsley Engineering, make and distribute cranes and lifting gear.

Accidents up

The accident rate among trainees on the Government-run Youth Training Scheme has risen steeply in the last three years from an average of 59 accidents per 100,000 trainees in the third quarter of 1985 to 136.2 for this year's third quarter

Electricians review single-union deals

By Charles Leadbeater, Labour Editor

THE EETPU electricians' union is to review its controversial strategy of signing single-union, no-strike deals.

The decision follows a seminar which revealed considerable frustration among shop stewards with the operation of the union's current deals.

It will be the most fundamental review yet of a strategy which became the most controversial innovation in industrial relations when it was introduced seven years ago.

The EETPU was expelled from the Trades Union Congress, the national federation of unions, in September for refusing to implement its instructions from the body to withdraw from two single-union, no-strike agreements.

The union's seminar, which was attended by full-time officials, shop stewards and managers from some of the companies at which the union has signed no-strike deals, was convened to review the progress of the agreements. It disclosed widespread frustration with the way many of them are working.

Most shop stewards speaking in the final session of the seminar, held at the union's East Sussex conference centre, complained that managers were ignoring or paying only lip-service to clauses in the agreements stipulating joint decision making, regular consultation and employee involvement.

The EETPU argues that one of the benefits of the agreements is that they increase the influence of workers in decision making through company councils of managers, workers, and union representatives, which regularly discuss issues affecting the business.

One full-time official told the seminar that several companies were simply not convening the union and management advisory committees. One steward complained that the gap between management and workers was widening rather than narrowing, while others said that companies were taking advantage of the conciliatory approach to industrial relations without delivering any benefits to their workers.

While senior EETPU officials remain convinced of the value of the no-strike agreements, and intend to continue signing them, they plan to institute a review of how they should be made more effective

Mr Roy Sanderson, the EETPU national official regarded as the architect of the strategy, said there might be a case for renegotiating some of the agreements and building into new agreements a clause which would allow for their periodic review.

The policy review will focus on the introduction of training for managers to equip them to discuss issues more openly, and for stewards so they can take the responsibility for business decisions.

The union may introduce a clause into the agreements committing companies to undertake such training. But full-time officials believe they may also have to take a tougher approach to some companies to ensure they implement all aspects of the deals.

In addition the union plans to develop the no-strike package, to include commitments from companies to provide workers with job related training and forms of profit-sharing.

Compensation deal agreed by most Piper Alpha families

Financial Times Reporter

MOST OF the families of those killed in the Piper Alpha disaster have accepted a compensation offer from the Occidental oil company, it was disclosed yesterday.

A fire and explosion on the North Sea oil platform in July this year killed 167 workers.

Mr David Burnside, spokesman for the Piper Disaster Group, said it was "the end of a chapter but not the end of a very long book", after the group met in Aberdeen.

He said it was not realistic to expect the compensation money to be paid before Christmas because legal work still had to be done.

He said that in six cases families were considering taking Occidental to court in the US where damages could be much higher.

Details of the compensation package – described by Mr Burnside as a "first class deal" – have not been released officially. But it is understood that the average pay-out will be about £600,000 for a widow with two children. In some cases the award could be higher, reaching more than £1m.

Mr Burnside, an Aberdeen solicitor, emphasised that the survivors of the disaster had not been forgotten. He said: "We want to make it clear that survivors have not been put to the side. It's sadly the case that you can work out more readily compensation where life has been lost."

He said the legal group was pressing ahead with obtaining medical and psychiatric reports which would be used to obtain full compensation for those who survived the disaster.

Some 73 legal firms were represented at yesterday's meeting. A further 20 firms sent letters to the legal group indicating that in most cases that their clients were willing to accept the deal.

Graduates seek jobs in finance

By David Thomas, Education Correspondent

MORE graduates are choosing financially based careers despite last year's stock market crash, while the problems of attracting students to study engineering are intensifying, university and polytechnic careers advisers said yesterday.

Careers officers have also noticed sharply increased competition among employers for graduates, with some employers offering to pay bursaries to third year students and others spreading their traditional recruitment net beyond the universities to polytechnics.

Members of the Association of Graduate Careers Advisory Services were speaking on publication of their annual survey of the career choices of new graduates, the most comprehensive of its kind.

This pointed to continuing intensified competition for graduates, with 56.4 per cent of the 71,500 new university graduates last year going straight into full-time employment and unemployment among university graduates standing at 5.9 per cent, the lowest since 1982.

Of those taking permanent jobs, a fifth went into financial work, 17 per cent into management, administration or computing and a further fifth into literary work including the media. By contrast, only 15 per cent chose scientific engineering or technical research and a further 4 per cent opted for construction including civil engineering.

Ms Pat Raderecht, chairman of the careers' association and careers officer at Bristol University, said financial work had continued to prove popular and engineering unpopular with this year's graduates, although there had been some revival in interest in civil engineering.

The popularity of the financial sector had held up well. However, there were signs that this year's graduates had preferred those routes which they deemed to be safe, such as chartered accountancy and high street banking, to jobs in the City of London financial district with stockbrokers or foreign banks, which were considered still riskier.

This was reflected in fewer new graduates attracting salaries at the top end of around £17,000. Careers officers believe the average starting salary for new graduates this year to be about £9,000.

PSA sale 'an option'

By Andrew Taylor, Construction Correspondent

PRIVATISATION of a large part of the Property Services Agency was an obvious option which would have to be considered very carefully by the Government, Mr Christopher Chope, junior environment minister, said yesterday.

Mr Chope, speaking at a building industry seminar in London organised by the Royal Institute of British Architects, said privatisation could not take place until the Property Services Agency had been restructured.

The agency, which manages the Government's estate, has an annual turnover of £3bn, of which £2bn is spent on design and construction projects.

It was the largest design and construction organisation in the country, said Mr Chope.

Mr Nicholas Ridley, Environment Secretary, proposed earlier this year that the agency be divided into three separate business areas.

These would manage the Government's property portfolio, carry out maintenance and estate surveying and provide design and construction management services.

Mr Chope said maintenance, estate surveying and design and construction management would be obvious candidates for privatisation.

One obvious advantage of privatisation of the agency would be that the agency would have unfettered scope to sell its expertise and services to the private sector, said Mr Chope.

Computer staff face tax clamp on expenses

By Alan Cane

THOUSANDS of Britain's computer experts could face large tax bills for the past six years as a result of the Inland Revenue's attitude to expenses paid to programmers and analysts working away from home for long periods.

The UK computing services industry is warning that if the Revenue does not concede that such expenses should be exempt from income tax, the cost of its services will have to go up and the industry will become less competitive.

The Government, ironically, could be seriously affected as it is an important customer for computing services. Its projects, the computerisation of the Inland Revenue among them, are mostly long term, involving computer experts in years rather than months of work on site.

Computing services companies frequently provide specialists – programmers and systems analysts – who work at a client's premises rather than in their own offices, a practice known as "body shopping". Such contracts often involve travelling considerable distances and living away from home for periods of up to a year or more.

Companies have conventionally paid their staff the travelling and living expenses while engaged on such projects without deducting tax, on the grounds that the expenses are necessarily" incurred in carrying out their jobs.

There have, however, been skirmishes over these expenses between the Revenue and the computing services industry, represented by its trade body, the Computing Services Association (CSA), since the 1970s.

Matters have now come to a head during negotiations to establish that the Revenue, as a concession rather than a right, would allow expenses to be paid free of tax if a specialist was away from home for no longer than a year. The CSA had been seeking to establish guidelines that both its members and the Revenue could accept as fair and reasonable.

The CSA says the Revenue is insisting that to qualify for tax relief on expenses, computer staff must have a regular place of employment where they work at least 50 per cent of the year. Similar restrictions have been applied by the Revenue to other service industries.

City's liking for short-termism 'hindering true venture capital'

By Charles Batchelor

BRITAIN HAS yet to create a sufficiently attractive environment for young companies, particularly at the very small end of the market, Mr John Nash, chairman of the British Venture Capital Association, said yesterday.

The statistics for company start-ups were encouraging, but the great majority of these companies were set up to provide the owner with a comfortable existence or as a substitute for paid employment rather than to create substantial wealth, he told the BVCA/Financial Times Financial Forum in London.

The inclusion of assured tenancy property ventures in the Business Expansion Scheme (BES) in the last Budget meant it would be a long time before BES investments went into genuine, early-stage businesses which created jobs and wealth or which involved high technology, Mr Nash said. He described the BES – which gives tax advantages to investors in certain approved ventures – "a missed opportunity."

Despite the rapid growth in the amounts of money invested by venture capital organisations in Britain the popularity of management buy-outs and buy-ins meant that very little of it had gone into early stage or technology companies.

Venture capitalists were bound to put their money where the best returns were and buy-outs did contribute to the restructuring of industry. Nevertheless, the City of London's obsession with short-termism made it very difficult to raise true venture capital, he said.

Britain remained light years behind the US in terms of venture capital, particularly in the field of technology. Fewer than 15 per cent of British venture capital investments in 1987 involved technology, compared with the US where 75 per cent of funds invested since 1980 had gone to technology ventures.

The main problem facing the British venture capital industry was a lack of good young companies and good people prepared to manage them, Mr Nash said.

"The UK venture capital industry has clearly failed in large measure to attract professional management into young companies as opposed to management buy-outs or buy-ins," he added.

To meet this problem the association is stepping up its long-running campaign to persuade the Chancellor of the Exchequer to give BES-style tax breaks to managers who run new ventures. At present passive investors in these companies are exempted from paying income and capital gains taxes but the managers themselves are not.

The effect of the equalisation of income and capital gains tax rates in the last Budget had been to make it less attractive for managers with large companies to leave and set up on their own. The venture capital industry could not wait for the cuts in income tax rates to make managers rich and thus willing to strike out on their own. It needed a constant flow of managers now if the sector is not to lose momentum, Mr Nash said.

More than a new computer to IBM

The AS/400 presents a crucial test of the US company's strategy. Alan Cane reports

Santa Palomba, Italy, in the gentle countryside of the mezzogiorno south of Rome, is one of the three sites where International Business Machines manufactures its AS/400 mid-range computer family, strategically its most important product line since the System/360 mainframes of the 1960s.

Santa Palomba, working with IBM's Vimercate factory in northern Italy, supplies AS/400s to Europe, the Middle East and Africa; Rochester, Minnesota, supplies North America; Guadalahara, Mexico, the rest of the world.

For the world's largest computer manufacturer, the success of the AS/400 – an unusually wide range of machines ranging in price from less than £20,000 to £460,000 – is critically important. "Success" takes on a special meaning in this context because the commercial success of the AS/400 was virtually assured before the machine was launched. It was designed as the replacement and upgrade for IBM's popular but ageing mid-range offerings, the System/36 and System/38, some 275,000 of which had already been installed world-wide.

There was, therefore, substantial pent-up demand for the greater processing power and broader facilities offered by the AS/400. Several hundred were installed on the day of the launch in June this year and a claimed 1,500 within two weeks. Although IBM will not yet give world-wide installation figures, analysts believe it cannot be less than 25,000 machines to date. The company, in fact, underestimated demand for larger systems and is constrained at the top end by a shortage of components.

The installation figure is given credence by production figures from the highly automated Santa Palomba plant, where an AS/400 can be assembled in seven minutes. Physical and electronic testing takes substantially longer, but even so, the plant is turning out more than 60 AS/400 systems on a good day, suggesting a world-wide production level of between 45,000 and 50,000 machines a year from the three manufacturing sites.

"Manufacturing" is perhaps the wrong word these days. Even the largest AS/400s, capable of supporting more than 300 users simultaneously, are assembled rather than manufactured. There is no hint of the spaghetti-like backplane wiring which characterised computers of the 1960s and 1970s; no obvious solder joints to fail.

Instead the silicon chips come ready mounted on their printed circuit boards in special packaging which IBM calls Phoenix and Corinthian. The packages slide into place in the computer framework, the electrical connections marrying up easily. Zero insertion force (Zif) is the term for this advanced assembly method.

At all three sites, IBM uses flexible manufacturing techniques, integrating shop floor activities through computer control and keeping inventory to a minimum with just-in-time methods.

The AS/400's significance to the company goes far beyond conventional measures of product success. It is important to IBM for four reasons:

Stephen Schwartz

- Its performance will largely determine the company's ability to capture a significant share of the rapidly expanding mid-range computer market.
- It will be an important test of the new line-of-business strategy, implemented earlier this year.
- Its development is the model for the new and remarkable openness with which IBM seems anxious to treat its customers and industry partners.
- It is the first of IBM's products fully to embrace the principles of systems applications architecture, IBM's important but poorly understood blueprint for the future of data processing.

First, the mid-range computer market: only software and personal computer markets are growing faster. It includes many thousands of companies which are using computers for the first time or are looking for computer systems which will grow with their business. IBM's existing S/36 and S/38 customers are certain takers for the AS/400 unless it proves a technological disaster. But IBM also has to win and satisfy customers who to date have found offerings from Digital Equipment and Hewlett-Packard more attractive.

There are signs that IBM is achieving its objectives with the new range. Stephen Schwartz, general manager of IBM's application business systems division which covers medium-sized computers, says of the AS/400: "We have strong acceptance world-wide and a large percentage of the business is going into accounts that have not had a S/36 or a S/38 before. About one third of the orders, in fact, are from new users."

His views are backed up by market specialists like Alan Vickery of JBA Computer Systems in Birmingham, a software house and IBM agency, Paul Sinclair of BIS Banking Systems which markets Midas, one of the most successful mid-range products, and Simon Williams of Synon, a UK software house that has developed a leading fourth generation language (a program that generates programs) for the IBM mid-range families.

What do IBM's competitors think? "It is a good machine," says Nico Hildebrand, marketing director for Wang, complaining only that its capabilities in office software and image processing, two of Wang's strengths, are limited.

Nevertheless, the impression remains that the AS/400 has yet to fulfil its potential. The new models are well regarded rather than world shattering. Myron Kerstetter, mid-range specialist with the Gartner Group in the US, believes it is too early to say whether the AS/400 will prove a hit with new users. Gartner found a high level of satisfaction rather than euphoria among early customers.

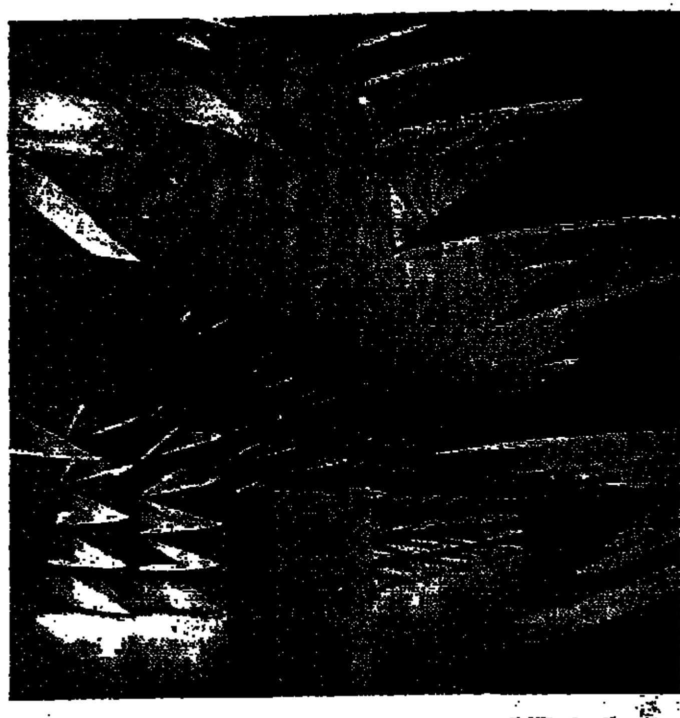
Second, its role in IBM's line-of-business strategy: at the beginning of the year, six product lines of business were created. Mid-range systems is one, the others are mainframes, communications, technology products, desk-top systems and programming systems.

The glue holding them together is a seventh division, applications systems, concerned with solving customers' data processing problems. The aim, says Schwartz, is to drive the business from the marketplace: "Before we used to drive our business in a lot of areas by doing what our laboratories thought it would be terrific to do. Sometimes they were right, sometimes not.

"Now the important thing is prioritisation. We were not exactly cut off from the market before, but now we can be more responsive to emerging opportunities. It sounds simple, but it is more difficult – and more attractive."

It all ties into the new openness with which IBM, traditionally the most secretive of companies, is beginning to do business. AS/400 development was the test vehicle.

Schwartz explains: "Very early in the development cycle we brought representatives from three areas, our field marketing organisation, our business partners (software and systems houses writing customer applications software) and our customers into the development centres. It includes 750 systems engineers, hundreds of business partners and 100 customers."



An AS/400 undergoing electromagnetic compatibility testing at Santa Palomba, to measure tolerance to electromagnetic and radio-frequency interference

BIS and Synon were able to convert their products to AS/400 well before the launch. The result was that a host of enhancements and applications software were ready at the time of launch. Schwartz says that John Akers, IBM's chairman regards this as the new way of doing business. "The benefits to our customers so outweigh the potential minuses through loss of confidentiality that it is clearly the right way to do it."

AS/400 is the first IBM computer family to be built around the concept of systems application architecture (SAA), a set of rules and concepts which should ensure eventually that all IBM computers, from micros to mainframes, obey common standards in methods of operation, programming and interconnection. This is IBM's answer to its numerous, incompatible computer designs, although many argue that it remains a wish and a promise rather than a reality.

Charles Brett, a UK-based consultant specialising in SAA, has toured IBM's principal US software centres (Raleigh, Virginia; Dallas, Texas; Santa Teresa, California) and says that SAA is much closer to completion than most believe.

The AS/400, while not perfect, is the closest IBM has come to an SAA machine. "AS/400 has enormous SAA potential," he says, but it was rushed to market before this could be fully accomplished. "The remaining elements can be slotted in with consumate ease. It is the model for the intelligent workstation."

So it could be that Santa Palomba, Rochester and Guadalahara are nurturing the seeds of a data processing revolution.

Speak to me only with thy teleprompt

By Paul Abrahams

IF AN executive were asked to list his worst fears, giving a speech would jostle for pole position with the news that a merchant bank was buying shares for an unknown predator.

The sad scenario of speech-making is all too common. The executive is unsure whether he should write out the speech in full and then read it, thereby giving the audience a full view of his receding hairline; or whether to write the speech in outline and then ad-lib while boldly facing the audience – a boldness, alas, not always justified.

However, his – or her – difficulties could soon be over. A new system of conference prompting is available which allows a lecturer to look at the audience while reading a prepared script. As usual, it's done with mirrors.

The system, supplied by MRVP International, of Sandwich in Kent, is similar to the teleprompting equipment used by both Ronald Reagan, the US President, and Margaret Thatcher, the UK Prime Minister. The difference is that the new equipment is available at affordable prices.

MRVP says that the system is easy to use. The text of the speech is entered into a Commodore computer either directly or from a standard IBM-compatible personal computer. It is then transmitted digitally to a black and white monitor where it is displayed in reverse and then reflected on a glass stand in front of the speaker. As he reads the script, he can vary the speed at which the text scrolls with a hand-held device.

"We've achieved two technological breakthroughs with our teleprompting system," says Michael Redgrove managing director at MRVP.

Redgrove explains that the first achievement is one of price. Previous teleprompting systems needed expensive dedicated computers to create a smooth scrolling action.

However, at MRVP, programmers were able to write the software necessary to edit and display the text in only 28k of memory on a Commodore 64 – a computer usually only marketed as a games machine.

The MRVP equipment is much cheaper because it can use this low-price machine while still providing 2,000 lines of text – about half an hour of speech. A basic system including monitor, reflective stand, lectern, software and computer costs £3,250.

The second breakthrough is thanks to Pilkington, the UK glass company, which supplies a special glass to reflect the text. The glass, which is extremely light and strong, was developed from a product designed for helicopter cockpits. It is coated on one side with titanium dioxide. This reflects 35 per cent of the image of the text on the monitor – enough to read clearly.

On the other side, the glass is provided with an anti-reflective coating to prevent light reflecting back to the audience.

Redgrove says that because the glass is so light, the company was able to fix it to a device that remotely manipulates its height and tilt.

Previous systems either changed the height of the podium on which the individual was standing – a cumbersome and time consuming process – or could only be used by one speaker per session. The computer attached to the MRVP equipment can store details about the preferred location of the reflective stand for as many as 98 different orators and position it before they speak.

More sophisticated systems have two monitors and two glass screens, which can be placed on either side so that the person delivering the speech can look at different parts of the audience.

A monitor can also be placed in the lectern so that the speaker can look as though he is checking his facts.

MRVP International can be contacted at Walton House, Eastry, Sandwich, Kent; telephone 0304 614554.

New space communications venture launched in Spain

ALCATEL Espacio has been formed in Spain to centralise and expand the growing business in space communications currently handled by Alcatel Standard Electrica of Madrid, Spain's leading telecommunications and professional electronics manufacturer.

Alcatel Standard Electrica is investing 2.7bn pesetas (£13m) in the new company. It is providing all the 1bn pesetas of share capital and plans to spend another 1bn on building a research centre, factory and offices. The activities of Alcatel Espacio will be closely associated with Alcatel Espace Toulouse, which deals in satellite payloads, electronic control centres and satellite management.

The French company will transfer technological know-how and train up to 50 Spanish technicians a year at Toulouse.

Initially, Alcatel Espacio will focus on satellite telecommunications systems, digital electronics, microwave technology and related software development. It will employ 110 people by the end of next year, rising to more than 200 in 1993.

Alcatel Espacio will also act as a subcontractor to Alcatel Espace on a number of projects and plans to participate in European Space Agency programmes.

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Mitsubishi Motors

Putting its faith in a wide spread

Gordon Cramb examines the auto maker's 'head-on' strategy

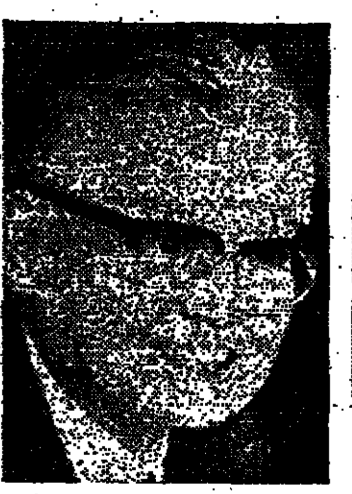
Today, as every Friday, executives from the 28 main companies in the Mitsubishi group will gather in Tokyo to brief each other on developments and co-ordinate policy across an empire which ranges from banking to petrochemicals.

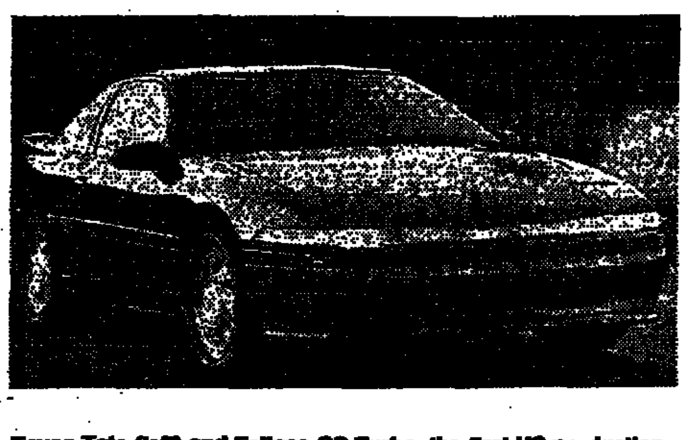
They will also be monitoring the closing stages in the Y59.8bn (£265m) flotation of Mitsubishi Motors Corporation (MMC), the world's biggest initial equity offering launched since the October 1987 crash.

Shares in MMC, the country's fourth largest vehicle maker, begin trading on Monday in what is also the largest ever flotation of a Japanese private sector company. The move is only one sign of a changing set of relationships as the automotive producer seeks to secure a long-term future worldwide.

MMC started life in 1970 as a project linking Mitsubishi Heavy Industries (MHI), the group's engineering arm, with Chrysler of the US, which took an initial 15 per cent stake. Amid a spate of recent activity, however:

- Revenues of MMC, reaching Y1,752bn in its latest year to March, have outstripped those of its Japanese parent for the first time. Pre-tax profits were Y20.8bn.
- Last month it began US car production at an Illinois plant which MMC and Chrysler have set up on equal terms, with a combined investment approaching $1bn.
- Although a full commitment to Europe awaits clarity on the rules post-1992, Mitsubishi is keen on further offshore production ventures which, in Asian markets, have not only helped offset the high yen, but also provided useful links outside the Mitsubishi/Chrysler fold.
- The share issue itself has already thrown forth a hint that MMC management is becoming more assertive within the group as a whole. It criticised the underwriting stockbrokers for placing shares too readily with favoured clients. Nikko Securities, which is leading the flotation, is also part of the Mitsubishi family, and such disagreements in public are rare in Japan.
- The listing comes at a time when domestic personal spending is strong but Japanese car buyers are becoming increasingly choosy about style and specifications. In the past year MMC has updated its model range and is currently regaining lost market share.
- Analysts are questioning the company's ability to remain a full-line vehicle manufacturer when any future downturn in demand may leave it struggling to maintain economic production of a range which covers everything from 550cc sub-compacts to heavy trucks and buses.





Toyoo Tate (left) and Eclipse GS Turbo, the first US production vehicle to emerge from Mitsubishi's link with Chrysler

At County NatWest in Tokyo, Sheryl Hogg, describing this as her main worry about the company, sees "more and more competition in each market. If there is a slowdown, its resources will be severely stretched."

Toyoo Tate, MMC president for the last five years, acknowledges that "competition will become even more severe." But as the architect of its vigorous international expansion he is anxious to dispel the idea that any radical rationalisation may be in prospect at home. In an interview in Tokyo he said: "We are spread very widely. We have a history of this... We have to compete head-on."

He argues that the spread between cars of all sizes and commercial vehicles gives MMC a more even ride through cycles of demand which affect different market segments at different times.

In this way, large trucks are influenced rather more by expenditure levels in the public and corporate sectors, particularly construction activity. According to the Japan Automobile Manufacturers Association, growth in domestic registrations for new trucks has been running ahead of those for cars in each of the past four years, gaining ground as the Japanese government stimulated capital spending.

Tate, looking to the competition, observes with satisfaction: "Mazda doesn't have these trucks."

In unit terms they constitute less than 8 per cent of sales for MMC, but with more than a quarter share of the sector it has risen to rank second only to the specialist producer Hino. In addition, about 60 per cent of MMC's unit output is in light vans, pick-ups and other small commercial vehicles where its recent growth has also been ahead of the rate for the industry as a whole.

This year's most striking feature, however, has been in the market for compact cars, where MMC's sales in Japan are up more than a third on 1987, or triple the industry average. It is still a distant fourth to Toyota, Nissan and Honda, but collecting a car-of-the-year award for its Galant four-door sedan has crowned a range redesign which has been widely applauded although, some industry watchers say, overdue.

Regular styling changes are one way in which a car maker can, at a cost, maintain and build on its market position. According to Tate, other parts of MMC strategy involve the increased use, in line with other manufacturers, of components common to various models, and keeping flexibility at a maximum on the production line itself.

At its Okazaki plant near Nagoya, five distinct car models and their variants are produced on a single line, using an MMC-pioneered system which allows differentiation in serial assembly to an extent which its officials believe remains unmatched.

Okazaki is the company's most modern car plant in Japan as well as one of its biggest, being responsible for a third of the 600,000 cars it produces within the country each year. With MMC contributing the technology for the joint US factory at Bloomington-Normal, Illinois – where output of an initial sports model is planned to near 100,000 units next year – there are parallels between the two which are instructive.

Equipping the Bloomington venture, called Diamond Star Motors, has drawn on other Mitsubishi group companies no less than if it were just another MMC plant in Japan. This includes the supply of about 85 per cent of the 400 or so industrial robots used in spot welding and other tasks. As at Okazaki, leading makers like Fanuc get a small look-in.

Japanese manufacturers are known for squeezing margins at tied suppliers, and the difficulties brought about by the strong yen have only reinforced this reputation. But MMC, more junior than those from which it is buying in the Mitsubishi group, is unlikely to have that amount of leverage.

Mitsubishi Corporation, the giant trading house, meanwhile acts as the main intermediary for deals outside the group.

According to Benjamin Moyer, automotive analyst at Merrill Lynch in Tokyo, "The core of the Mitsubishi group is the trading company.... It just means that Mitsubishi Motors may be less able to do things that may be to the disadvantage of the trading company."

He adds that the relationship is not all one-way, and that Mitsubishi Corporation's long-established connections abroad have facilitated the entry of MMC into markets like Malaysia and South Korea.

It is on the marketing side that changes may become more evident. MMC has derived nearly a quarter of its revenue from exports to the US, supplying under its own name and, with waning success, to Chrysler

Both sides insist that Diamond Star will add to rather than replace this arrangement. First year output there will be devoted equally to the Mitsubishi Eclipse and Plymouth Laser – variants of a budget-priced coupé which goes on sale next month.

This strengthening of ties has not, however, been echoed by Chrysler in its dealings with the Mitsubishi family in Japan. In rebuilding its international presence the US auto maker formed a separate link recently with the go-ahead Seibu group to distribute Chrysler vehicles in Japan.

Each company may from now on do more independently. MMC will use half the share issue proceeds to retire debt, investing the remainder in expansion. The 9.1 per cent of expanded capital being floated will leave Chrysler and subsidiaries still with more than 20 per cent, a level with which it expresses contentment.

MMC, however, is set to tap the market for further funds "from time to time, looking for specific opportunities," according to Tate. From a standing start, the company is about to enter the fast-lane traffic of the Tokyo Stock Exchange with an impatience which reflects an 18-year wait.

British Quality Awards

Winning by scoring zero

Anthony Moreton on Sony's campaign to eliminate defects

No quality inspector walks up and down the lines among the 1,500 workers at Sony's television plant in Bridgend, South Wales, picking out duff components and dropping them in the waste bin. Instead, each and every worker is expected to be his or her own quality inspector.

Sony has a zero defects campaign within the plant which puts the onus of responsibility on each operator. The company has turned round the usual approach. Instead of "inspecting out" problems after they have occurred it attempts to ensure they do not occur in the first place. It is this philosophy that has just won it, along with Express Engineering of Newcastle upon Tyne, one of the two 1988 British Quality Awards made by the British Quality Association.

For Hiro Nakamura, managing director, the award is doubly satisfying, though he only draws attention to one part: "Over the last few years a remarkable amount of effort has been devoted to our Zero Defects Campaign to enhance the high quality reputation Sony Bridgend's products enjoy throughout Europe."

What he does not state is the satisfaction that Sony, the first Japanese plant to be based in Wales, became the first Japanese company to win the award. Nakamura, after eight years in the principality, considers himself an honorary Welshman.

The British Quality Award Scheme was set up in 1984 to encourage individuals or companies to improve the standard of a product, process or service. Such improvements are not intended to be a one-off achievement; a candidate's record over the previous four years is the yardstick. Previous winners have been Plessey Office Systems, IBM, Rank Xerox, J C Bamford Excavators, Whessoe Heavy Engineering, Ford and Schweppes; Sony and Express Engineering have joined an exclusive club.

In Sony's case the award recognises its achievements in the production of the Trinitron range of colour television sets and its output of TV components.

Philosophy

"Our products are always seen in the market as top-quality ones," says Alan Jones, personnel executive. "We have achieved that by moving away from an inspection-type quality assurance to a production-elimination type of quality. Instead of inspecting-out problems and defects we try to ensure no defects arise in the first place.

"We aim for a defect-free input system rather than a defect-free output one. That has been the big shift in our philosophy over the past few years," Jones adds. Responsibility for quality falls squarely on every worker. Each has to ensure that each piece he or she – about two out of every three operators are women – receives is perfect before passing it on.

Jones readily admits that 100 per cent perfection can only be an ideal in other than a perfect world. "We know things happen in the real world that shouldn't, but we don't at Sony accept that they necessarily will happen. It's an attitude of mind. If the attitude of mind of the worker is right we have gone a long way towards achieving our goal."

That "attitude of mind" does not come from long workbench meetings, or quality-control committees. It starts even before a new recruit walks through the factory gate and dons the company's blue livery.

"We have a rigorous selection policy," says Jones. "We try to ensure that the workers we pick are not only the best available but also will be the best for the sort of work we want them to do. Most people are on our side, anyway. People don't want to turn out shoddy goods; they always prefer to produce something good. Nor do they want to be associated with a shoddy firm. Quality and attitude of mind, therefore, go hand-in-hand."

Jones admits it is easier to inculcate quality appreciation in a television or a car factory. "You can see a car outside your garage or a TV set in your living room and say 'that's a nice car or television or whatever.' It's more difficult to associate yourself with quality if you are producing coiled steel. But if you make sure the design is right, that it can be made defect free, then even in steel production you have achieved a big step forward."

Business courses

Techniques for integrated business planning. December 5-6, Amsterdam; December 8-9, Munich; December 12-13, Paris; December 15-16, London. Fee: £595 + VAT, FFrs 6,920, DM 2,080, or other currencies. Details from SAL SBP Seminar, Victoria House, Suite M9, Southampton Row, London WCIB 4EF, England.

Financial future and options. January 23-25, Brussels. Fee: BFr 73,000 (non-members); BFr 65,700 (members). Details from Management Centre Europe, Customer Service Department, Postbus 95 NL-3417 ZH Montfoort, The Netherlands. Telefax (Belgium) 32/2/513.71.08, Telex (Belgium) 21917 mce b, 61748 mce b.

Network architecture, the multi-vendor environment. December 8-9, London. Fee £475 + VAT. Details from The Network Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, Trinity Road, London SW18 3SX.

International franchising briefing. December 7-9, Brussels. Fee: BFr 76,000 (non-members) and BFr 68,400. Details from Management Centre Europe, Postbus 95 NL-3417 ZH Montfoort, The Netherlands. Telefax (Belgium) 32/2/513.71.08, Telex (Belgium) 21917 mce b, 61748 mce b.

Targeting the female buyer - advertising and marketing to women. January 24-25, London. Fee: £480 + VAT. Details from Conference Manager, Forum Communications, London House, 26-40 Kensington High Street, London W8 4PF, Tel: 01-938 2222, Fax: 01-937 4546.

DP project management. January 30-February 1, London. Fee: £595 + VAT. Details from the Infomatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Telex: 299180 MONINT G. Fax: 01-871 3866.

FT LAW REPORTS

Investigation powers are not retrospective

REGINA v SECRETARY OF STATE FOR TRADE AND INDUSTRY, EX PARTE R
Divisional Court (Lord Justice Mustill and Mr Justice McCowan): November 28 1988

A PERSON whose alleged investment business is under investigation by the Department of Trade and Industry cannot be required to disclose documents relating to transactions which took place before December 18 1986, in that activities conducted before that date were not "investment business" for statutory purposes.

The Divisional Court so held when granting an application by a businessman for judicial review of a demand by the Secretary of State for Trade and Industry that he should disclose certain documents for the purposes of an investigation into his alleged investment business.

Section 105 of the Financial Services Act 1986 provides: "(1)The powers of the Secretary of State under this section shall be exercisable in any case in which it appears to him that there is good reason . . . for the purpose of investigating the affairs . . . of any person so far as is relevant to any investment business which he is or was carrying on or appears to the Secretary of State to be or to have been carrying on . . . The Secretary of State may require the person under investigation . . . to produce . . . specified documents which appear . . . to relate to any matter relevant to the investigation . . . "

LORD JUSTICE MUSTILL said that earlier this year the Secretary of State appointed two inspectors to exercise the powers of investigating "investment business" conferred on him by section 105 of the Financial Services Act 1986.

The inspectors wrote to the applicant identifying 14 categories of documents. They called *on him to produce all documents* within those categories emanating from him or addressed to him or certain companies, from February 1 1984.

Although willing to disclose certain of the documents voluntarily, the applicant objected to the validity of the demand on the ground *inter alia* that no activities carried on before December 18 1986 (the appointed day for section 105 to come into force), were capable of amounting to "investment business".

Since the inspectors did not accept his objections he applied for judicial review. The question for the court was whether activities carried out before December 18 1986 could be "investment business" within the meaning of the Act.

The applicant contended that, first, "investment business" was a *concept which did* not exist with this very special connotation until the 1986 Act created it, so that it was impossible for anyone to be carrying on investment business before the appointed day. Second, it was said that even if investment business was capable of existing before that day, Parliament could not have intended that the powers under section 105 should be exercised in relation to pre-Act business. It was contended that "he . . . was carrying on" must be read as *subject to the implied qualification* "after the appointed day".

To the first limb of the argument the Secretary of State replied that "investment business" was not a new species of activity, but a new label.

In order to decide whether any pre-Act transaction had characteristics enabling it to rank as investment business if that concept had then existed as part of English law, it would have been necessary to know two facts: first, whether the transactions concerned investments of a type described in Part 1 of Schedule 1 to the Act (which included rights under contracts for options, futures and differences, and long-term insurance contracts); and second, whether the dealing was an excluded activity within Part III of Schedule 1.

Of those, the first fact was *readily ascertainable, its existence* being independent of the coming into force of the Act, and of anything done under the Act. But in many cases the second fact could not be ascertained.

The definition of investment business involved a qualification expressed partly in terms of excluded activities set out in Part III of Schedule 1. Those embraced certain types of transaction where the party with whom the investigated person did business came within categories which could not have existed before the mechanisms created by the Act were available and utilised (see paragraph 17(2)(a)).

The only way to save the idea of retrospective labelling was to hold either that the impossibility of identifying an excepted transaction meant that all pre-Act dealings were automatically excluded from investment business (in which case the category would become larger on the appointed day), or were automatically included (in which case it would shrink).

Neither reading conformed with what the Act said, or with common sense. Section 105 just would not work if it was read as applying to pre-Act transactions.

That objection seemed unanswerable.

On examining the main provisions of the Act to see whether the legislature could have intended to confer powers to investigate transactions which were over and done with before it came into force, two things seemed clear.

First, the Act created an elaborate new structure which was to come into effect for the future, as a replacement for the much less ambitious scheme of the Prevention of Fraud (Investments) Act 1958.

That factor was not conclusive in itself, since it would be possible for one isolated section to look backwards. But it did suggest that one should look with care to see what reason the legislature might have had for giving section 105 that singular effect.

Second, and more important, there seemed to be nothing elsewhere in the Act which might furnish such a reason.

The Secretary of State might, in appropriate cases, need to examine what had happened in the past in order to decide what course he should take in the future. Also, a power to look at the past to explain the present must be implicit in section 105.

There was, however, no reason why Parliament should have given the Secretary of State powers to investigate putative investment business before the Act and to underpin the supervision of such a scheme and the application of sanctions to enforce it, when the scheme only began to come into existence on the first of the appointed days.

Accordingly, the question posed was answered in the negative.

Mr Justice McCowan agreed.

For the applicant: Anthony Arlidge QC, Peter Rook and David Chivers (Slaters).
For the Secretary of State: William Charles (solicitor, Department of Trade and Industry).

CORRECTION: In *British and Commonwealth Holdings plc v Quadrex Holdings Inc* (FT, November 30 1988) appearances were:
For Quadrex: Mark Waller QC, Nicholas Padfield and Dominic Dowley (Herbert Smith & Co).
For B & C: Anthony Grabiner QC, Nicholas Stadlen and Craig Orr (Slaughter and May).

Rachel Davies
Barrister

THE PROPERTY MARKET

Peel Holdings reaches for its shopping basket

By William Cochrane

John Bushell: the chairman of London Shop

Peel Holdings, the dynamic retail warehouse developer, has assembled a powerful team to mount and finance its bid for London Shop, the specialist in secondary retail property. However, there are potential snags in the structure of the bid which the market senses but has yet to evaluate.

In the big bull market of the early 1970s, there was a rash of reverse takeover bids: a highly-rated but small company would bid for a bigger but slower target. On the face of it, this would combine industrial reorganisation with a more attractive corporate vehicle.

The bloom faded when analysts devised reverse takeover arithmetic. This showed that the higher the "predator" bid, the more it diminished the value of its existing shares. Reverse bids went out of fashion.

Today they are back, and one of them is in the property market. The predator is more clever and the merchant bank more innovative, almost athletic, in the case of Peel and its adviser, S.G. Warburg. But this is, effectively, a case of a smaller company bidding for a bigger one; and the mechanics of the offer can be analysed to show the risks which the participants are taking.

The sequence went like this:

- On November 7 Peel bought 21 per cent of the London Shop shares from the British Steel Pension Fund (BSPF).
- On November 25 Peel bid 300p a share for London Shop, valuing it at £269m.
- On November 30 Peel put out a formal offer, to be financed by a £121m rights issue at 300p per Peel share, and by borrowing.

The rights issue terms revealed that BSPF would underwrite 9.95m of the shares to be issued. Having received £39¼m from Peel for its London Shop shares (at a price of 270p) and associated holdings of London Shop convertible loan stocks, BSPF would have to put nearly £30m back if the rights issue did not interest some other Peel shareholders.

However, Peel had more power to its elbow. Another 9.95m of the rights issue shares are to be underwritten by Competrol, a subsidiary of the Olayan group, the Saudi-based, international conglomerate whose net worth is said to be billions of dollars and which injected assets into Peel for a 6.8 per cent equity holding last May. Peel has powerful friends.

In the formal offer, Peel notes that the London Shop share price was only 243p on October 6 – "the day preceding press speculation regarding the British Steel Pension Fund's interests in London Shop and a possible takeover."

As it happens, that would have capitalised London Shop at some £220m, assuming full loan stock conversion. On the same day, Peel, priced at 309p, would have stacked up to £156m on the same basis.

A 1970s philosophy would say that the two companies, joined together, would be worth ther sum of their parts before the shouting started: about £376m on October 6. This equity is going to be increased by rights issue proceeds of £121m, before expenses; and diminished by the £269m either already paid, or due to be paid to London Shop shareholders.

What emerges is £228m, or 250p a share on the Peel capital, diluted for preference conversions and increased by the rights issue. And if Peel were tempted to increase its offer for London Shop, on these calculations a 10 per cent increase would result in a 12 per cent, or 30p further decline in its ex-rights, ex-bid share price.

None of this takes into account what John Whittaker, the highly praised entrepreneur, will be able to do with the London Shop assets if he gets them. The Peel rights issue was priced on a fine discount, so both BSPF and Olayan had to have a high regard for Mr Whittaker's talents to lend such weighty support. However, these talents, to some extent, were appreciated a couple of months ago.

The market has probably not given much thought, either, to John Bushell, chairman of London Shop. Mr Bushell, like Warburgs, is a merchant banker, although he comes from Schroders.

He joined the London Shop Board at the beginning of 1982, just after Schroders had helped London Shop fight off a £19m bid from Godfrey Bradman of Rosehaugh. Mr Bradman, coincidentally, was trying to double his asset base at the time, and bidding from a 21.4 per cent London Shop holding it had acquired from another predator, or "disenchanted shareholder". Both Rosehaugh and London Shop have grown a bit since then.

Mr Bushell was joined on the Board in 1986 by Clive Coward, who came from the private company S.G. Whittaker ("no relation" he says), which he had run for 15 years. "When I joined, I knew that London Shop was on the stockbrokers' takeover lists," said Mr Coward this week. "Everybody in the company was aware that we had to perform."

Clive Coward: head of London Shop's development arm

Mr Coward came in to run the nascent London Shop development arm, which now has about a dozen projects in train worth perhaps £30m of completed value in total. This is not big, but big development programmes have lost their attraction as interest rates have risen and floating rate debt has become an accepted liability in the stock market.

"I think that the results of what I've done will start showing next summer," says Mr Coward, "and I would hate to have an outsider come in and reap the benefit."

A buyer's guide

The international push into the UK property market, reflected at headline level by Olayan's part in the Peel underwriting, Rodamco's bid for Hammerson and the Bayerische Hypo-Bank link with Richard Ellis this week, is recognised by solicitors D.J. Freeman in its "Legal Briefing" on foreign investment in UK property.

Freeman takes 12 pages of fairly large type to tell potential overseas buyers of UK property, in simple language, about the property investment business. The paper deals with tenure; professional advisers; the occupational lease system; structuring investment; depreciation allowances or the lack of them; problems of absentee landlordship; the appointment of agents and so on.

Freeman has one of the largest property departments in London which employs over 60 solicitors. While it has been getting an increasing number of UK clients during the current boom, it has seen major Scandinavian, US and Japanese institutions moving decisively into the market.

"I think that they are now underpinning a market which is not as strong as it was," said David Solomon, a senior partner of Freeman, this week. However, he added that Freeman wanted to increase its share of the market and this meant increasing its foreign clients.

The firm is specifically not in competition with the agents. "Surveyors and firms of solicitors are trained in totally different professional disciplines," it says, "but frequently work closely together on property transactions."

It even gives a nod in the direction of the accountancy profession: " . . . specialist advice in relation to tax should always be obtained in connection with each investment proposal," says the paper. However, Mr Solomon notes that, in this case, solicitors very often find themselves advising in precisely the same areas as tax accountants.

Foreign buyers must show financial strength to move in on the UK market, he says. "One of the sensitive issues, when you are waiting for a deal to close, is that the vendor will think about the possibility of having to pursue legal remedies outside the UK."

In that situation, it might be better for the buyer to be a substantial principal, rather than a newly-formed subsidiary. "It is not always true," observes Mr Solomon, "that parents stand by their subsidiaries when they are not legally bound to do so." The UK vendor's knowledge of that wrinkle might be crucial when the foreign buyer is competing for a site with a big UK property company.

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LEGAL NOTICES

No. 1961 of 1983

IN THE HIGH COURT OF JUSTICE

IN BANKRUPTCY

Re: KEITH ALFRED HUNT
lately trading as EXCHANGE BUILDINGS BETTING SERVICES and as EXCHANGE BUILDINGS COMMODITY SYNDICATE

On the 3rd October 1988 the above Bankrupt's Trustee Gerhard Adolph Weiss of Shelley House, 3 Noble Street, London EC2 applied to the Court for an Order giving directions on the calculation of claims made by investors who placed money with the above named Bankrupt namely that such claims be valued at and by reference to the aggregate amount of monies invested by each investor from time to time with the above named Bankrupt (plus any commission properly credited to the investor's account by the Bankrupt from time to time due to the investor as a result of having introduced new clients) less any withdrawals effected by the investor from time to time together with a sum by way of compensation (calculated on a monthly basis either at the rate of 1% below the base rate from time to time of the National Westminster Bank Limited or if a contractual rate of interest was stipulated in the investor's General or Managed Account Agreement at that rate) on the balance from time to time outstanding in the investor's favour calculated on the basis set out above.

On the 22nd November 1988 the Court in chambers made an Order in the above terms sought by the Trustee and by further Order provided that the Order should come into effect on the 10th day after this publication.

Birbeck Montagu's
7 St Bride Street,
London EC4

Ref: RBM
Solicitors for the Trustee

IN THE HIGH COURT OF JUSTICE
No 004450 of 1988
CHANCERY DIVISION
IN THE MATTER of
MAXWELL COMMUNICATION CORPORATION plc
and
IN THE MATTER of
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 7 November 1988 confirming the cancellation of the amount of £288,593,620 standing to the credit of the Share Premium Account of the above-named Company resolved on and effected by a Special Resolution passed at the Extraordinary General Meeting of the Company held on 21 June 1988 was registered by the Registrar of Companies on 17 November 1988.

Dated the 29th day of November 1988

FRESHFIELDS (IT/TGC/6376LL)
Walden House
17-24 Cathedral Place
LONDON EC4M 7JA

Solicitors for the above-named Company

AIROHEAT (UK) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at the offices of Cork Gully, 14 Cross Burgess Street, Sheffield S1 1QA at 10.30 hours on 6 December 1988 for the purposes of having laid before it a copy of the report prepared by the administrative receiver under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than 12.00 hours on 5 December 1988, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf.

Dated: 21 November 1988
David John Stokes
Administrative Receiver
Cork Gully
14 Cross Burgess Street
Sheffield S1 1QA

SWIMMING POOL PRODUCTS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at the offices of Cork Gully, 14 Cross Burgess Street, Sheffield S1 1QA

at 10.30 hours on 6 December 1988

for the purposes of having laid before it a *copy of the report prepared by the administrative receiver under section 48 of the said* Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

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(b) there has been lodged with me any *proxy which the creditor intends to be* used to his behalf

Dated: 21 November 1988

David John Stokes
Administrative Receiver
Cork Gully
14 Cross Burgess Street
Sheffield S1 1QA

COMPANY NOTICES

Oftel
Office of Telecommunications

CHARGES FOR CERTAIN TELECOMMUNICATION SERVICES

Proposed modifications of the Conditions of the Licences granted to British Telecommunications plc ('British Telecom') and to Kingston upon Hull City Council and Kingston Communications (Hull) plc ('the Hull Licensees'), to run telecommunication systems.

1 The Director General of Telecommunications ('the Director') hereby gives notice that he proposes, under section 12 of the Telecommunications Act 1984 ('the Act') to modify the Conditions in the Licences granted under section 7 of the Act to British Telecom and to the Hull Licensees ('the PTOs') to run telecommunication systems by amending certain Conditions and by adding a new Condition to British Telecom's Licence.

2 The purpose of the proposed modifications is first to make provision for the control on charges for certain telecommunication services provided by the PTOs to be extended for a further period until 31 July 1993 and secondly, in the case of British Telecom's Licence, to make provision for the continuation in modified form, with effect from 1 August 1989, of the existing price control rule contained in Condition 24 of that Licence. The Director considers that such safeguards for consumers remain necessary as the PTOs retain a dominant position as regards the provision, within their respective licensed areas, of the services covered by the controls.

3 The principal proposed modifications to **British Telecom's** Licence are:

The New Price Control Rule. The existing price control rule in Condition 24 of British Telecom's Licence expires on 31 July 1989. The proposed new rule will have the effect of limiting the extent to which British Telecom may increase, or is obliged to reduce, the aggregate price of certain services, in any year of the four years commencing on 1 August 1989, to 4½ percentage points below the percentage change in the Retail Prices Index ('RPI') in the year to the previous June. (The existing rule limits the aggregate increase in prices to RPI-3.)

Services Covered by the New Rule. The new rule will apply to the 'basket' of services covered by the present price control rule **Plus** charges for operator assisted calls from ordinary subscribers' telephones; charges for calls from certain private rented payphones; and transferred charge calls from ordinary subscribers' telephones with the assistance of an operator. The new rule makes clear that charges for calls to information and entertainment services and calls to destinations in the cellular networks are excluded from the 'basket'.

Adjustments. The new price control rule also makes provision for appropriate adjustments to the application of the formula if the Licensee introduces a separate charge for a service which was previously financed, wholly or in substantial part, by the revenue from charges for services which are already covered by the price control rule.

Other Modifications. The provisions of Conditions 25 *and 26 of British Telecom's Licence, requiring uniform* charges for the installation and maintenance of certain exchange lines, are to be extended for a further period until 31 July 1993.

4 The proposed modifications to the Licences of the **Hull Licensees** are:

The Price Control Rule. The provisions of Condition 23 of the Licences of the Hull Licensees, which would otherwise expire on 1 July 1989, are to be extended until 31 July 1993. Condition 23 obliges the Hull Licensees to give the Director six weeks notice of any proposals they may have for amending their charges for certain telephone services. The Director has the power to determine during that period that the amendment should not take place.

Other Modifications. The provisions of Conditions 24 and 25 of the Licences of the Hull Licensees, requiring uniform charges for the installation and maintenance of certain exchange lines, are also to be extended until 31 July 1993.

5 The Director is required by section 12 (2) of the Act to consider any representations or objections which are duly made and are not withdrawn.

6 Any persons whose interests are likely to be affected by the modifications, and who wish to make representations or objections in respect of all or any of them, should do so in writing to Miss Frances Chapman, OFTEL, Atlantic House, Holborn Viaduct, London EC1N 2HQ (stating their interests and the grounds on which they wish to make representations or objections) before 9 January 1989. Copies of the proposed modifications may be obtained from OFTEL (Tel: 01-822 1610).

Gencor Group
Gold Mining Companies

DIVIDEND DECLARATIONS

NOTICE IS HEREBY GIVEN that dividends have been declared by the undermentioned companies, payable to members registered at the close of business on 16 December 1988.

The registers of members of the companies will be closed from 16 December 1988 to 30 December 1988, both days inclusive.

The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 13 January 1989, or the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 27 January 1989.

In the case of non-resident shareholders, taxation of 15 per cent will be deducted.

The full conditions of payment may be inspected at or obtained from the London office of the companies or the offices of the transfer secretaries.

The companies mentioned are incorporated in the Republic of South Africa	Class of share/stock unit	Dividend number	Description	Amount per share/stock unit (cents)	Total for the year (cents)
Buffelsfontein Gold Mining Company Limited Company No. 05/33564/06	Ordinary	62	Interim	170	–
	Preference	7	Interim	69.5	–
St. Helena Gold Mines Limited Company No. 05/20745/06	Ordinary	67	Final	170	305
Stilfontein Gold Mining Company Limited Company No. 05/24132/06	Ordinary	49	Final	75	115
The Grootvlei Proprietary Mines Limited Company No. 01/02095/06	Ordinary	100	Final	40	70
West Rand Consolidated Mines Limited Company No. 01/01979/06	Ordinary		Final	Nil	Nil

Note:
Chamsea Limited, the company in which Stilfontein and Buffelsfontein hold an 80 and 20 per cent share respectively, declared a final dividend of R1.5 million, R 8.2 million for the year.

By Order of the Boards
per pro. GENCOR (U.K.) LIMITED
London Secretaries
L.J. Baines

30 Ely Place
London EC1N 6UA

1 December 1988

London Transfer Secretaries
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

IN THE HIGH COURT OF JUSTICE
No. 004529 of 1988
CHANCERY DIVISION
IN THE MATTER OF:
TOOTAL GROUP PUBLIC LIMITED COMPANY
and
IN THE MATTER OF:
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 7th November 1988 confirming the reduction of the Share Premium Account of the above named Company by the sum of £13,838,000 was registered by the Registrar of Companies on 15th November 1988.
Dated this 25th day of November 1988.

ADDLESHAW SONS & LATHAM
Dennis House
Marsden Street
Manchester M2 1JD
Solicitors for the above named Company

IN THE MATTER of
GARROD OFFSET LIMITED
AND
IN THE MATTER of
THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the Mon day of 30th January, 1989, to send in their full Christian and surnames, *their addresses and descriptions, full partic*ulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned BRIAN MILLS of BOOTH WHITE & CO., 1, WARDROBE PLACE, *CARTER LAND, ST. PAULS, LONDON EC4V* 5AJ of the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 28th day of November 1988

[illegible] RAND MINES LIMITED

(Incorporated in the Republic of South Africa)
Registration Number 01/00669/06
A Member of the Barlow Rand Group

PAYMENT OF COUPON NO. 100

With reference to the Company's profit announcement and dividend notice advertised in the press on 28th October 1988, the following information is published for the guidance of holders of share warrants to bearer. The dividend was declared in South African currency and in accordance with the conditions of payment of this dividend, payment from the offices of the Secretaries of the Company in the United Kingdom will be made in United Kingdom currency at the telegraphic transfer rate of exchange between Johannesburg and London which ruled on 29th November 1988.

Payments will be made against coupon no. 100, on or after 3rd January 1989 in U.K. currency at the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX, or in French currency at Credit Lyonnais, 19 Boulevard des Italiens, 75002 Paris.

Coupons must be left for at least four days for examination and may be presented any weekday (Saturdays excepted) between the hours of 10.00 a.m. and 3.00 p.m.

Republic of South Africa non-resident shareholders' tax will be deducted at the rate of 15 per cent. United Kingdom income tax will also be deducted from coupons presented for payment at the Securities Department of Hill Samuel & Co. Limited, unless coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deductions are made the net amount of the dividend is as follows:-

	South African Currency per Share – Cents	U.K. Currency Equivalent per Share – Pence
Amount of dividend declared	345.00	80.13152
Less: South African non-resident shareholders' tax at 15%	51.75	12.01973
	293.25	68.11212
Less: U.K. Income Tax at 10%		8.01319
		60.09894

2nd December 1988

SECRETARIES OF THE COMPANY IN THE UNITED KINGDOM
Charter Consolidated Services Limited, 40 Holborn Viaduct, London EC1P 1AJ

NOTE: The Company has been asked by the Commissioners of Inland Revenue to state:
Under the double taxation agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the basic rate of 25% represents an allowance of credit at the rate of 15%.

(Incorporated in the Republic of South Africa)
Registration No. 01/00669/06

RM RAND MINES

Member of the Barlow Rand Group

BREAKING NEW GROUND EVERY DAY.

ITALEX LIMITED

US$ 230,000,000
Unsecured Floating Rate Notes
due 1989 to 1992

On November 21, 1988, Notes for the amount of US$ 28,750,000 have *been drawn for redemption at par on the next Interest Payment Date,* i.e. January 3, 1989.

The following Notes will be redeemable coupon No. 7 and following attached:

00015	00089	00157	00244	00371	00465	00568	00653	00727	00823	00895
00017	00098	00168	00272	00377	00466	00572	00665	00739	00828	00897
00031	00099	00171	00275	00382	00474	00580	00669	00740	00830	00899
00051	00102	00188	00278	00406	00498	00583	00670	00749	00849	00912
00058	00104	00200	00282	00407	00504	00599	00677	00755	00851	00915
00060	00107	00203	00292	00410	00531	00609	00682	00760	00856	
00064	00113	00206	00296	00417	00539	00610	00686	00765	00857	
00066	00124	00207	00306	00430	00551	00611	00690	00780	00858	
00069	00135	00219	00341	00456	00553	00622	00693	00783	00868	
00075	00138	00234	00347	00458	00556	00633	00713	00810	00869	

Amount outstanding: US$ 201,250,000

Luxembourg, December 2, 1988

The Principal Paying Agent

KREDIETBANK
S.A. LUXEMBOURGEOISE

UNILEVER N.V.

4% REDEEMABLE CUMULATIVE PREFERENCE SUB-SHARES OF FL 12
ISSUED BY N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR

The dividend for 1988 of 4% (FL0.48) Serial No. 75 will be paid on and after 3 January 1989. To obtain this dividend certificates must be listed on listing forms obtainable from one of the following banks:-

Midland Bank plc, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA:
Northern Bank Limited, 2 Waring Street, Belfast BT1 2EE;
Clydesdale Bank PLC, 30 St. Vincent Place, Glasgow.

Separate forms are available for use (a) by Banks, UK firms of Stockbrokers, Solicitors or Chartered Accountants (b) by other claimants. Notes on the procedure, in each case, are printed on the forms.

Fuller details of the dividend may be obtained from the above named banks on and after 29 December 1988.

EXCHANGES of sub-share certificates for original shares will be SUSPENDED from 18 to 29 December 1988 both dates inclusive.

Certificates will only be accepted for exchange after 29 December provided that all dividends declared prior to that date have been claimed.

N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR
London Transfer Office, Midland Bank plc, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA.
1 December 1988.

4% REDEEMABLE CUMULATIVE PREFERENCE ORIGINAL SHARES

The dividend will be paid on and after 3 January 1989 against surrender of Coupon No. 75. Coupons should be sent to one of the Paying Agents in the Netherlands or *to Midland Bank plc, Stock Exchange Services Department, Mariner House, Pepys* Street, London EC3N 4DA, (Midland) accompanied by an income tax form for relief from Dutch tax. The form and fuller details of the dividend may be obtained from Midland.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
2	3	4	5	6	7	8

December 2-8

MUSIC

London

Royal Philharmonic Orchestra conducted by Antal Dorati. Schubert, Mendelssohn. Barbican (Mon) (638 8891).
London Symphony Orchestra conducted by Mstislav Rostropovich. Shostakovich. Barbican (Thurs) (638 8891).

Paris

Orchestre National de France and Radio France choir conducted by Sir Neville Marriner: Mozart's Cosi Fan Tutte (Mon) Théâtre des Champs Elysées (47203637).
Orchestre de Paris with Daniel Barenboim as conductor and soloist, Cecilia Bartoli, mezzo-soprano. Rossini, Mozart, Strauss (Wed, Thur) Salle Pleyel (45630796).

Vienna

Wiener Symphoniker conducted by Emil Tchakarov, with Victor Pikaisen (violin). Dvorak, Rachmaninov. Konzerthaus (Sun).

Cologne

Juilliard String Quartet. Mozart, Carter and Franck. Cologne Philharmonie (Fri).

Berlin

Berlin Philharmonic Orchestra under Herbert von Karajan. Beethoven, Philharmonie (Sat, Sun).
Boston Symphony Orchestra conducted by Seiji Ozawa. Mahler. Berlin Philharmonie (Wed).

Munich

Munich's Radio Orchestra conducted by Bruno Weil and the piano duo Gueher and Sueher Pekinel. Liszt, Saint-Saens, Lutoslaswl, Schubert and Offenbach. Sendesaal des Funkhauses, Rundfunkplatz 1 (Sun).
James Galway (flute) and pianist Philip Moll. Reinecke, Martinu, Gaubert, Fauré, Saint-Saens, Debussy, Godard and Ravel. Herkulessaal der Residenz. (Tues).

Amsterdam

Boston Symphony Orchestra conducted by Seiji Ozawa. Mahler Concertgebouw (Fri).
Royal Concertgebouw Orchestra conducted by Neeme Jarvi with Boris Berman (piano). Nordheim, Prokofiev, Nielsen. Concertgebouw (Thur) (718 345).
Netherlands Philharmonic conducted by Bryden Thomson with Nobuko Imai (viola). Vaughan Williams, Walton, Elgar. Beurs (Thur) (27 04 66).

Rome

Rudolf Barshai conducting Tchaikovsky and Prokofiev. Auditorium in Via della Conciliazone (Sat, Sun, Mon, Tues) 6541044.

New York

Alexander String Quartet. Haydn, Ho Joon Park, McKinley, Brahms. Kaufmann Hall, 1395 Lexington Av (Tue) (427 6000).
New York Philharmonic conducted by Zubin Mehta, with Krystian Zimerman (piano). Mendelssohn, Lutowslawski. Avery Fisher Hall, Lincoln Center (Tue) (799 9595).
New York Woodwind Quintet. Gilbert Kalish (piano). Nielsen, Peter Winkler, Alvin Etler, Dvorak. Merkin Concert Hall (Tue) (362 6719).
New York Philharmonic conducted by Zubin Mehta, with Leon Fleisher (piano). Carter, Britten, Ravel. Avery Fisher Hall, Lincoln Center (Tue) (799 9595).

Washington

National Symphony Orchestra conducted by Gerd Albrecht. Stravinsky, Schumann. Kennedy Center Concert Hall (Tue) (254 3776).
National Symphony Orchestra conducted by Rafael Frubeck de Burgos, with William Steck (violin). Beethoven, Korngold, Ravel. Kennedy Center Concert Hall (Thur) (254 3776).

Chicago

Chicago Symphony Orchestra conducted by Gunther Herbig, with Shura Cherkassky (piano). Haydn, Tchaikovsky, Brahms. Orchestra Hall (Thur) (435 8122).

Tokyo

Oslo Philharmonic Orchestra conducted by Mariss Jansons. Dvorak, Sibelius. Suntory Hall (Mon) (403 8011).

OPERA AND BALLET

London

Royal Opera, Covent Garden. The second opera production by Nuria Espert to be given by the Royal Opera is a new Rigoletto, designed by Ezio Frigerio, and conducted by Michael Boder (British debut). Brent Ellis, June Anderson and Neil Shicoff take the leading roles.

Vienna

Staatsoper. Der Fliegende Holländer, conducted by Sir Charles Mackerras with Nancy Johnson, James Morris, Hans Tschammer. Le Nozze di Figaro, conducted by Peter Schneider with Margaret Price, Ann Murray, Ruggero Raimondi, Manfred Hemm. Ballet: Ein Sommernachstraum, conducted by Caspar Richter. Rusalka, conducted by Vaclav Neumann, with Gabriele Lechner, Gabriela Benackova-Cap, Peter Dvorsky, Sergej Koptschak. Manon, conducted by Adam Fischer, with Edith Gurberova, Francisco Araiza, Pierre Thau.

Hamburg

Opera. Tristan und Isolde is sung by Gabriele Schnaut, William Johns, Harald Stamm, Franz Grundheber and Julia Juon. Der Nussknacker has wonderful choreography by John Neumeier.

Stuttgart

Opera. The rarely played operetta Einstein on the Beach brings Elke Estinbaum, Urzula Koszut and Alfred Kuhn together. Tosca is a well done repertoire performance with Awilda Verdejo, Michael Sylvester, Helmut Berger-tuna and Karl-Freidrich Duerr. Onegin is choreographed by the late John Cranko.

Amsterdam

Opera. Madame Butterfly staged by the Netherlands Opera and directed by Monique Wagemakers. Lucas Vis conducting the Netherlands Philharmonic. (Fri, premiere; Sun, Wed).

Rome

Teatro dell'Opera. Filippo Sanjust's production of Donizetti's rarely performed Poliuto conducted by Jan Latham-Koenig with Renato Bruson, Nicola Martinucci and Elizabeth Connell (Sat, Tues). Two ballets to music by Nino Rota, La Strada with Oriella Dorella dancing the part created by Giulietta Masina, Mario Marozzi and Raffaele Paganini, and Gattopardo Souvenir based on the novel by Giuseppe de Lampedusa (Sun) (46.17.55).

Milan

Opera. Luca Ronconi's production of Rossini's William Tell opens the season, with scenery by Gianni Quaranta which includes filmed sequences of the shores of Lake Lucerne and surrounding montains and forests projected on to the backdrop. Riccardo Muti conducts a fine cast with Chris Merritt in the title role, Giorgio Zancanaro and Lelia Cuberli. (Wed) (80.91.26).

New York

Metropolitan Opera Opera House, Lincoln Center. Apart from the Grand Procession, Sonja Frissell, in her Met directing debut, attempts a traditional interpretation of Aida with an emphasis on the conflict of public careers and personal needs. James Levine conducts with Leona Mitchell as Aida and Placido Domingo as Ramades. Performances of Madama Butterfly continue, conducted by Myung Whun Chung, with Yoko Watanabe as Cio Cio San and Giorgio Lamberti as Pinkerton. Kathleen Battle sings Rosina in Il Barbiere di Sivigila with Leo Nucci as Figaro and William Matteuzzi as Count Almaviva, conducted by Ralf Weikert. Marilyn Horne is Carmen in Paul Mills's staging conducted by Placido Domingo. (362 6000).

Chicago

Lyric Opera (Civic Opera House). Maria Ewing recreates the role of Salome she performed in London and Los Angeles in Sir Peter Hall's production, conducted by Leonard Slatkin, with James King as Herod and Franco Farina as Narraboth. Samuel Ramey continues in the title role of Don Giovanni in Jean Pierre Ponnelle's production conducted by Semyon Bychkov. (332 2244).

Tokyo

Bayerische Staatsoper from Munich. Don Giovanni, conducted by Peter Schreier, with Thomas Allen, Kurt Moll, Anna Tomowa-Sintow, Peter Seifertz (Mon, Thurs). Arabella, conducted by Wolfgang Sawallisch, with Lucia Popp or Anna Tomowa-Sintow in the title role (Tues). Cosi fan Tutte, conducted by Wolfgang Sawallisch. (Wed). Tokyo Bunka Kaikan (289 9999).

THEATRE

London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre in Paris (638 8891).
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).
South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).
Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).
The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).
Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).
Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of course burlesque sketches (836 8888).

Amsterdam

The Footsbarn Theatre with Babylon (Thur). Stadsschouwburg (24 23 11).

Eindhoven

The Footsbarn Theatre with Babylon, based on Bulgakov's Master and Margarita (Thur). Stadsschouwburg (11 11 22).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Christmas Carol (Goodman). William J. Norris celebrates his tenth season as Ebenezer Scrooge in the annual holiday production with a cast of 26, directed by Michael Maggio. Ends Dec 28 (829 4141)

Tokyo

Bunraku. The puppet theatre is one of Japan's most refined art forms Evening performance at 5pm (plus 12 noon at weekends): Chushingura, the famous story of the 47 loyal retainers. Matinee performance at 11am and 2pm (weekdays only): Tsubosaka, a moving tale of a blind musician and his devoted wife, ending with a beautiful dance. National Theatre (265 7411).
Noh. (Wed). A double-bill of the noh play, Kiso, and a kyogen comic interlude. Japan's most esoteric art form is not to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a "western" nation. (Most other Noh theatres are open at weekends only. Check local press for details.) National Noh Theatre (423 1331).
The Tempest. Directed by the prolific and ever-inventive Yukio Ninagawa, with music by Uzaki Ryudo. This visually enthralling production was seen at this year's Edinburgh Festival and transposes the action to Sado, Japan's own island of exile and mystery. Stylistically it draws on elements from the noh theatre. Imperial Theatre (201 7777).

EXHIBITIONS

London

The Royal Academy. Toulouse-Lautrec: The Graphic Works. A comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg. Ends Jan 4.
The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition. Ends Jan 17.
The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. Ends January 8.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. (42603926).
Galerie Odermatt-Cazeau. Camille Claudel 1864-1943. The sculptor, a disciple and lover of Rodin, whose tragic life, ending with 30 years in a mental asylum, inspired a book and now a film, is the subject of an important exhibition. 85 Bis, Rue du Fbg. Saint-Honore (42669258). Closed Sundays, ends January 31.
Galerie Daniel Malingue. Maitres Impressionistes et Modernes. 26 ave Matignon (42666033). Closed Sun, Mon mornings and lunchtimes. Ends Dec 24.
Musée d'Orsay. Cézanne, The Early Years (1859-1872). The 63 paintings, drawings and watercolours reveal a hitherto neglected period of the artist's life. Closed Mon. Ends Jan 1.
Grand Palais. Seicento. Caravaggio's century in French collections. A dramatic production by Pier-Luigi Pizzi against a background of baroque music. Closed Tue, late closing night Wed (42.56.09.24). Ends Jan 2.
Chapelle de l'Ecole des Beaux Arts. From Dürer to Baselitz. Some 126 drawings lent by the Kunsthalle in Hamburg retrace the panorama of German graphic art. 14 rue Bonaparte (49.27.01.18). Ends Dec 31.

Brussels

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Rocter, Edzgveradze, Filatov, Chvikov, Yankilevsky. Closed Monday. Ends Dec 31.
Musée d'Art Moderne, 1-2 Place Royale. The First Group of Leathem-St Martin 1899-1914. Closed Mon. Ends Dec 31.
Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire. China, Heaven and Earth, 5,000 years of Invention and Discovery. Instruments and artworks which illustrate Chinese innovations in science and technology. Closed Monday.
Musee d'Ixelles, 71 rue Jean van Volsem. Belgian Art Deco 1920-40. Daily 13-19.30. Sat and Sun 10-17.00. Closed Monday. Ends Dec 18.

Darmstadt

Hessisches Landesmuseum. Glassworks and paintings of the British artist Brian Clarke will be seen for the first time in Germany. Ends Jan 29.

Vienna

Historisches Museum der Stadt Wien (The city of Vienna's Museum for history). A commemoration of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominous past. Ends Jan 29.
Museum für Volkerkunde. The museum has put together from all over the world, two hundred years of Australia, 40,000 years of Australians.
Secession The Austrian painter Walter Eckert is now on exhibition until November 20. Worth also seeing Gustav Klimt's famous Frieze now back in its original place.

Rome

Ex-borsa in Campo Boario. A lively and absorbing show of works in various mediums by young artists (all under 35) working in Rome, none of whom have yet shown at major exhibitions. Until December 11.
Palazzo dei Conservatori (Campidoglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the immensely sophisticated ornamental glass and tableware belonging to the imperial Roman court. January 31.

Venice

Museo Correr a la napoleonica: Giorgio de Chirico (1888-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. Ends January 15.
Das Kunsthistorischesmuseum. After months of planning, Prague um 1600 finally opened in Vienna last week. It is a marvellous exhibition showing off just how great an influence and a patron was Rudolf 11. He it was who welcomed the poor Kepler to Prague.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, who was the first to bring the concept of physical beauty into sacred art. Until Dec 8.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.
Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.

Chicago

Art Institute. Paul Gauguin. The artist's first major retrospective for 30 years includes more than 230 objects and paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Washington

National Gallery. The largest show of Michelangelo's drawings ever mounted in the US illustrates all the principal phases of his artistic development. Ends Dec 11.
National Gallery. Seven Centuries of Japanese Art, as it evolved under the feudal *daimyo* lords is the subject of a major exhibition of 450 specially designated Japanese national treasures. Ends Jan 23.

Tokyo

National Museum. Treasures from the Horyuji Temple. The centrepiece of this small but exquisite exhibition from the great temple in Nara is the Kudara Kannon, a graceful camphorwood statue of the Buddhist goddess of mercy, dating from the 7th century. Closed Mondays.
National Museum of Western Art. Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. Closed Mondays. Ends December 11.

CINEMA

Animated antics of sheer delight

WHO FRAMED ROGER RABBIT (PG)
Steven Spielberg

VERONICO CRUZ (PG)
Miguel Pereira

THE HIDDEN (18)
Jack Sholder, Bob Hunt

EUROPEAN FILM AWARDS

Film criticism is a major eat-your-hat industry. Only two years after I wrote that the days of feature-length animation are over, vanquished in the fantasy stakes by Special FX and hi-tech modelwork, what do they start making again? Animation features.

Two such, one each from Disney and Spielberg, have just opened to breakneck business in America. And preceding them has been the year's fiercest box-office pace-setter ($150m to date), *Who Framed Roger Rabbit*. Mixing animation and live action, this Disney-Spielberg collaboration is technically astounding, visually dazzling and – for at least two-thirds of its 104-minute length – sheer delight.

Take a rabbit with dazed eyes, floppy ears, polka-dot bow-tie and mile-a-minute voice that sounds drunk on helium. Add one yank-accented Bob Hoskins. Place both in 1940s Hollywood and stir in *film noir* visuals. Then encase in plot pastry about a murder. Victim, a nightclub owner; suspect, cartoon film star Roger Rabbit; motive, Roger's jealousy of his luscious humanoid wife Jessica, flirt and vamp ("I'm not bad, I'm just drawn that way").

Then slip it all into the oven, bake till golden brown and take out after 75 minutes.

The movie's mistake is to have let it cook for 104. Late on, you sniff the unmistakable odour of red-hot inspiration burning good ideas to a cinder. The plot starts to repeat itself and the final showdown seems interminable. While live-action stars Hoskins (as the Chandler-style detective hero) and Christopher Lloyd (villainous "Judge Doom") slug it out in Lloyd's warehouse-HQ, containing vats of lethal "Dip" which destroys cartoon creatures, brushstroke hostages Roger and Jessica dangle terrified from the ceiling, awaiting the final credits.

You would think Hollywood had learned its lesson about overkill climaxes. (There was a near-identical and stupefying one in *Howard The Duck*). But for an hour before desperation replaces inspiration, *Who Framed Roger Rabbit* bounces along with mighty brio. The opening film-within-a-film, a pastiche Loony Tunes cartoon, takes the breath away. Then further breath is taken away – keep plenty handy – when the cry of "Cut" rings out and we find ourselves on a live-action soundstage where the animated stars (Roger and a fast-talking baby in diapers) mix freely with a real live crew and director.

Soon Roger and reality are mixing even closer. Animator Richard Williams (the London-based Canadian who created the Pink Panther) and director Robert Zemeckis (of *Back To The Future*) have their painted stars biffing, touching, pick-pocketing, caressing, wrestling, kissing their human stars. The idea of the "Toons" as an actual tribe of actors, who live in two-dimensional Toontown and frequent shady dives where the barman is an octopus and the password is "Walt sent me," has enchanting mileage. And when the characters take a rest from the mixed-media mayhem, objects take over. A cartoon gun shoots real bullets. A broken-down cartoon car hitches a lift in a real car.

Best of all, Zemeckis and his screenwriters Jeffrey Price and Peter Seaman, having shown there is life in animation after Mickey Mouse, set about taking the mickey out of the biggest mousetrap of all: Hollywood. The fast-talking baby is a Warner Bros gangster in nappies ("Dis whole ting stinks like yesterday's diapers"). A studio chief rails against the high cost of Toon-hiring while an airborne Dumbo smiles sweetly through his office window.

This is Hollywood as anyone who has been there knows it: a two-tone place where the God of freewheeling make-believe jostles with the stern Mammon of market forces. *Who Framed Roger Rabbit* is a delight for kids, a spry showbiz fable for adults, and a re-animation of the art of animation. Pass my fedora, plus knife and fork.

★

Britons brought up on the gospel according to "Gotcha!" should see *Veronico Cruz*. This truth-based tale is the South Atlantic fracas seen from the Argentinians' viewpoint. Deep in that country's rocky hinterland in the years before the war, the peasant boy of the title (Gonzalo Morales) dreams of naval heroism. Knocked about by poverty and hardship – squeezing the last drops of milk from the goats, watching Dad depart to seek work in Buenos Aires – the boy reads up on pirate comic-books and tales of sea adventure supplied by his liberal-minded young teacher.

Writer-director Miguel Pereira, an Argentinian-born graduate of our own National Film School, has some less liberal pedagogic tendencies: like socking us round the back of the neck with symbols if we look like nodding off. (What should be the first word the boys have to spell in class but "Belgrano"?) And after boy and teacher have travelled to Buenos Aires to hunt for Dad, who may have become a "desaparecido," the writing on the wall starts to be spelled out in giant capital letters. Sure enough, the boy ends up conscripting in the navy and sure enough the ship he joins is – the Belgrano.

Yet at best, in early scenes, the movie has a supple and mischievous wit. "Mr Teacher, what does Hong Kong mean?" pipes a schoolboy, scanning the labels on a new issue of Argentina flags sent by the bellicose junta. (The movie throughout is less anti-British than anti-Galtieri.) And the rugged vastness of the country's North-Western interior – its parched hills and bone-white salt flats – is spectacularly shot by Gerry Feeny. Part British-financed, the film carries the piquant credit "El British Institute presenta."

It is certainly more worthwhile than *The Hidden*. Directed by Jack Sholder from a dotty script by Bob Hunt, this has the city of Los Angeles in turmoil at the arrival of an extra-terrestrial slug. It nests in people's innards inciting them to anti-social behaviour (like murder), and only FBI agent Kyle McLachlan seems to have the answer. Your answer: see only on a rainy evening after a few warming drinks.

★

Last Saturday saw the unveiling of the first ever European "Oscars." You may have watched and marvelled on TV.

These Euro-Oscars, launched to mark the climax of European Film And TV Year, are undoubtedly a Good Thing. European cinema today is staggering from one crisis year to another.

The Euro-Oscars come at a time when new glamour and kudos are needed. They also come amidst much talk, fuelled by industry cash shortage, of a quasi-federalised European cinema. Although this conjures grim visions of Esperanto co-productions like the recent *To Kill A Priest*, where mixed-nation actors meet in a Hell of post-dubbing and phrase-book dialogue, it need not be and should not be thus. Collaborative funding need not result in common-denominator crassness. The best strategy, if we are to re-energise European film financing, is a glorified "exchange system" whereby several nations co-fund a slate of films, but each of those films uncompromisingly carries a single country's identity.

Unlike that other federation of States across the ocean, Europe is not a mono-culture, and attempts to produce a mono-cultural cinema are certainly doomed. In movie terms Italy must be allowed to remain Italian, France French, Britain British. Great art is rooted in particularity even if it flowers into universality. The prize-winners in last week's Euro-night proved that. Krzystof Kieslowski's political horror story *A Short Film About Killing* could come from nowhere but Poland. Wim Wenders's *Wings Of Desire* is steeped in the history and sensibility of its setting, Berlin. And Britain's most-nominated entry, *Distant Lives, Still Voices*, is a glorious example of how the most acutely personal story can grow into one that is magically resonant and universal.

Nigel Andrews

Bob Hoskins with Roger Rabbit's luscious humanoid wife Jessica

Trevor Humphries

Mr Frank Barlow, chief executive of The Financial Times, with film producer Mr David Puttnam, at the Barbican Centre in London, where he delivered the Financial Times Arts Lecture last Wednesday. Mr Puttnam warned of the dangers facing the arts from the concentration of media ownership into fewer and fewer hands and of the simplification of challenging issues into mindless entertainment. "We must strive above all to describe the world as it really is. Truthfully and, when necessary, in all its complexity," he said. A report of Mr Puttnam's lecture will appear in Saturday's FT.

London Mozart Players

QUEEN ELIZABETH HALL

The London Mozart Players conducted by Jane Glover contributed a delightful and unusual programme to the South Bank's Schoenberg Festival on Wednesday. Two of Schoenberg's late tonal works and one of his earlier were interleaved by two choral works by Brahms, of which *Nänie* (Op. 82) is seldom heard indeed.

Schoenberg's Chamber Symphony No. 2, begun soon after the first in 1906 but only completed in 1939, received a beautifully sympathetic rendering. Its Adagio first movement was made to sound particularly diaphonous and subtle, the note of contained frenzy in the *Con fuoco* part of the remaining movement was accurately caught, and, throughout, the work's curious blend of craftsmanly sobriety and dark expressive bitterness was allowed to make its plea.

His Suite for String Orchestra, completed in 1934, was a hopeful attempt at adding to the school orchestra repertory and, consisting as it does of five pseudo-baroque movements, reflects Schoenberg's experience the year before in blowing up a Handel *Concerto Grosso* for large modern orchestra. It is tonally centred (on G) and the individual movements (the prolix final *Gigue* excepted) are marvellously refined stylizations, full of pith yet light in tone and frequently witty. The deliciously syncopated, texturally coruscating *Menuet* even brought Schoenberg close at times to the world of Dag Wirén's Serenade for Strings and Radio 2. Jane Glover's account of the work could not have been more neo-classically sparkling.

The earlier Schoenberg tonal work was the "Song of the Wood Dove" from *Gurrelieder*, presented here in the composer's 1922 arrangement for 17 players, and fabulously well sung by the mezzo-soprano Elizabeth Laurence. She also distinguished herself greatly in Brahms's *Alto Rhapsody* (as did the men of the London Choral Society). Brahms's lament after Schiller, *Nänie*, for chorus and orchestra, was short, stately, solemn and sublime. The voices (trained by Ronald Corp) soared with passion yet retained fierce pungent clarity. A welcome discovery.

Paul Driver

LETTER FROM NEW YORK

Germanic myths and view of the zoo

In the final scene of the Metropolitan Opera's new production of Wagner's *Götterdämmerung*, the massive Gibichung hall collapses as the Rhine overflows and Valhalla burns in the sky. So spectacular is this climax that the *New York Times* not only reviewed the musical production but ran a separate account describing the stage mechanics – thereby explaining away the magic. By an unusual convergence, this experience coincided with the opening of the retrospective of the West German artist Anselm Kiefer at the Museum of Modern Art (where it continues until January 3).

Born in Bavaria in 1945 Kiefer, like Wagner, has drawn on the Germanic myths to create a scenario that merges with the tragedies of the Hitler era. In a sense, his total oeuvre – with large-scale canvasses encrusted with burning straw figures and molten lead turned to thin ash – convey, as staged settings do, the vast monumental interior spaces and exterior landscapes of history.

Grim images these may be of the blackened great hall of Hitler's chancellery (based on a photograph of Albert Speer's design) or of railroad tracks over charred fields going nowhere, but in the rubble and dust a memorial flame burns or water shimmers to purify and regenerate life.

This twilight-of-the-gods has more to do with the emerging role of the artist than with civilisation as a whole. While the imagination can inhabit Kiefer's three-dimensional halls and deep forests, the viewer set below the picture's frame is excluded from the vast interiors and high distant horizons of city skylines.

For all the monumentality of the paintings, Kiefer's originality is more obvious in the compressed surfaces of his small watercolours, where colour itself enriches the subject beyond his usual black to grey to brown palette (particularly one seascape suffused with glowing sunset and, in the foreground, a sword like Siegmund's thrust into a stone cliff). And the charred pages and photographic images reworked with oils or sand in his bound volumes tell the story of his motifs in serial form.

The stress on content, however, may be overdone. Though Kiefer says little – except for his titles – his interpreters make free to uncover every literary and historical allusion, and they too are in danger of explaining away the magic. If Kiefer's art, which already earns top gallery prices, is to survive its immediate human drama, the way Picasso's "Guernica" has after 50 years, then the technique that supports the content must endure on its own. Kiefer's reliance on American Abstract Expressionists like Jackson Pollock and on his German predecessor Joseph Beuys makes for an art at its best where the beauty of the abstract images outweighs the message.

This balance is fine in "Brunhilde-Grane," where the flames engulf the Valkyrie and her mount, and in "The Rhine," a large wood-cut and acrylic where a bold striated pattern of black trees reminiscent of Franz Kline is superimposed on the river and a distant arcade.

But the most piercing and rewarding work of all, called "Midsummer Night" (St John's Night, in German), is of a dried pressed fern, a prehistoric plant mounted on a scoriated surface against streaked lead. Here the elegance of texture and form is decisive. Kiefer may have intended the image as an "archetypal element of life," according to Mark Rosenthal in the catalogue, but that fern is also memorable as a composition on its own.

★

One of Anselm Kiefer's paintings, "March Heath" – a barren and scorched heath in Brandenburg trampled by the throes of war – became a contemporary visual symbol for one speaker in a two-day symposium on Landscape and Architecture in the Twentieth Century held recently at the Museum of Modern Art.

Although the theme was interpreted by many professionals in the field as concerning landscape architecture, the lectures and discussions centred more around a description of contemporary landscape and man's relationship to it.

In general, views expressed were divided along two lines: landscape and architecture as being either representational of nature or confrontational with it. And the underlying issue concerned the American wilderness seen either (as it was by early settlers) as an endless supply of free land or (more commonly now) as a rare landscape, the preservation of which may be as important as an image to the New World as the classical or formal garden was to the Old.

★

One of the triumphs of architecture and landscape in this decade is the recently completed Central Park Zoo behind the brick Arsenal building on Fifth Avenue at 64th Street.

The old zoo was in a deplorable state for humans and animals alike, and not even Humphry Repton could have done a better before and after picture than architect Kevin Roche. Although some of the original low brick buildings with granite animal friezes along the cornices have been retained, the zoo is now reorganised into three zones and the terrain was built up with hilly shrub-lined paths and walkways so that some of the best views of the city skyline over the park's golden treetops are now in the zoo.

Joining the three zones is an elegant glass-roofed pergola walkway with brick columnar posts and granite capitals in an Egyptoid style that would be equally at home in any number of Lutyens-Jekyll gardens, especially as the wisteria takes hold.

The tropic zone, housed in a skylit octagonal brick building, is a dripping two-level tropical *rain forest with waterfalls and* streams and the vistas, real and artificial ones, appear endless. The open treed areas are *alive with birdlife, and the* glass enclosed environments are artfully crafted like old-fashioned dioramas. For *example, the spectator is made* to feel spookily inside the bat cave as the bats fly out to twilight.

In the temperate territory, outside, snow monkeys are established on islands of imaginative rock outcropping surrounded by a moat. In the polar circle the penguins live on the edge of an ice pack with polar light to regulate their life cycle; when they dive into a pool every graceful movement underwater can be viewed through glass.

The sea lions in a new glass-enclosed pool are still the centerpiece of the zoo outside and the old gnarled crabapple trees were retained. But now in quadrants around this central area, garden designer Lynden Miller has worked her customary magic with plantings that never fail to attract by subtle combinations of texture and form.

★

Tartan is the exhibition at the Fashion Institute of Technology for anyone smitten by the romance of plaids (until February 4).

This beautifully installed show takes the plaid fabrics from their earliest forms of peasant dress and traces their history through military regimental and clannish garb, dispelling the myths devised by wool merchants that ascribed certain tartans to specific clans.

The great flowering of tartan, according to curator Richard Martin, came when Sir Walter Scott dressed the visit of George IV to Edinburgh in 1822 and its popularity with Queen Victoria made it a vogue for women and children.

The galleries are filled with kilts, 19th-century ruffled and braid-trimmed tartan scarves or sturdy wool walking dresses and paintings by Landseer and Copley of properly attired gentlemen.

A 20th-century gallery has a startling array of tartan fashions by top designers from their 1988 collections including Vivienne Westwood's kilts and Scott Crolla's suits. New Yorkers are in the year of the tartan for the holidays.

Paula Deitz

SALEROOM

Another Picasso record

There is nothing like a good provenance to draw out buyers and you can hardly have a better provenance for Cubist art than Douglas Cooper, the eccentric Australian millionaire whose fascination with Cubism began in the 1920s and stayed with him until his death in 1984. He was a friend of many of the great artists, buying works direct, and entertaining them in his castle in the south of France. Christie's on Wednesday night sold drawings and sculpture, prints and posters, from his collection for an amazing £3m, three times the estimate, with all the 127 lots selling.

It was fitting that a relaxed 1914 Picasso watercolour still life, including a glass, playing cards and peaches, should make a record £858,000, three times the estimate, to a private buyer. It was a record for any 20th century drawing and is a nice rider to the record price for any 20th century work of art, £20.9m, achieved for a Picasso oil at Christie's forty eight hours earlier.

A Giacometti painted plaster portrait bust executed in 1954 and given to Cooper three years later, sold for £660,000, while among the other records were the £143,000 for a Leger drawing, a study for the painting "Mère et Enfant," and £132,000 for a Picasso linocut, a 1962 lithograph from an edition of 50, "Buste de femme au chapeau."

Sotheby's was also flushed with success yesterday when it sold contemporary art in London for a record £6,835,400, with just 5 per cent unsold. With a major Hockney show at the Tate it was not surprising that he set a new auction record, £352,000 paid for "A neat lawn," an acrylic of 1967 depicting a suburban house in Berkeley California.

This was dwarfed by the £396,000 paid by a French private buyer for "Le Tao," a 1956 abstract by the French artist Jean Atlan which had carried a top estimate of £80,000. The same buyer paid £231,000 for "Sumatra" also by Atlan, a relatively unknown artist who in the past year has attracted a keen coterie of admirers. A typical Lucio Fontana, with slits in the grey canvas, doubled its estimate at £396,000, while a wall mobile by Alexander Calder sold for £264,000.

Sotheby's secured another record in New York, for a Chinese painting, £253,619 for a mid 18th century hand scroll showing an emperor's tour by Xu Yang. Nearer home, a set of four A.A.Milne first editions made a record £6,050, while a first edition of Lewis Carroll's "Alice's Adventures Underground" did well at £5,280.

Antony Thorncroft

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Low-powered competition

THE UK GOVERNMENT has made much of the hope that its radical plans to restructure the electricity industry in advance of flotation will create an entirely new competitive regime for the building and running of power stations.

The draft Electricity Bill, published yesterday, indeed shows that the need to promote competition has been taken much more seriously than in earlier privatisations, particularly of British Gas. However, the bill and details of the associated licences now emerging also show that competition in electricity generation will be peculiarly constrained.

The Government's idea, sketched out in its white paper in February, was that two large power companies, inheriting the Central Electricity Generating Board's plant, would compete for the custom of 12 area distribution companies. Additional competition would be possible from smaller independent generators as well as from imports of power from France and Scotland.

This was a very imperfect starting point for a competitive market, because of the dominance of only two generating companies, which will be the largest and sixth largest in the world. At the same time, the Government's insistence that the privatised industry must maintain a nuclear programme is likely to fence off some 20 per cent of the market from competitive forces.

Further limitation

As the plans have developed this summer, the scope for effective competition has been further limited, partly because of the special characteristics of the electricity industry and partly because the Government's advisers fear that increased competition would load the newly privatised companies with higher risks.

To counter pressures for the distribution companies to spread risks by banding together in a joint purchasing arrangement, the Government is likely to insist that they initially sign contracts for the output of individual power stations. The resulting network of contracts will create only a semblance of competition, however, because of the way in which all power plant will be centrally despatched (switched on and off) by the new National Grid company, in the interests of efficiency.

Under a competitive regime the grid might hold an open auction, with rival power stations offering different prices. The system envisaged by the Government, however, will allow the bidding to take place within two closed clubs. These clubs, one for supply companies and one for the generators, will share out the benefits of the auction among members. The two generators will therefore keep any profit resulting from lower fuel prices. This will not be passed on to distributors until several years later when contracts come up for renewal.

Expensive capacity

Controlled prices for the majority of customers would reflect lower generating costs later still, when the regulatory formula started to reflect the average contract prices in the distributors' club.

In view of these complexities and the dominance of two large players, it remains uncertain whether new companies will want to build expensive generating capacity, especially as the Grid will not guarantee that it can run at full capacity. Innovative contracts and a flexible application of regulations may promote new competition. Bidding for new projects may drive down capital costs, but the forces of collusion and integration may still prove strong.

Fortunately, the powers of the new regulator seem robust. However,it is regrettable that the Government has pushed ahead with its plans so quickly that the regulations and contractual framework are being thrown together on the run, without any time for measured public discussion of the principles behind them. This haste – and the scant attention given last year to alternative reorganisation schemes – means that despite its ambitious and revolutionary scope, this bill should be seen only as making the best of an opportunity missed.

New leadership in Mexico

MEXICO'S new President, Carlos Salinas de Gortari faces the twin challenges of revitalising an ossified, corrupt and corporatist system of government and of pushing through the modernisation of the economy. Success or failure in this task over the next six years will determine whether Mexico can bridge the gap between the Third World and the First World.

Mr Salinas, who assumed office yesterday, is in many respects well equipped for the challenge. His presidency represents a welcome change in generations and he possesses formidable technical qualifications and sound administrative experience. In the outgoing De la Madrid administration he was the principal architect of one of the few economic policies in Latin America that seriously tackled the problems brought about and revealed by the debt crisis.

Yet no recent Mexican President has assumed office with such a difficult inheritance. Mexico is moving inexorably away from the institutionalised one-party hegemony of the PRI which has conditioned national life in the 70 years since the revolution. The presidency no longer enjoys near absolute power and Mr Salinas confronts the novelty of a parliament with a strong opposition and a genuinely popular leader in the left-leaning nationalist, Mr Cuauhtemoc Cardenas. Any deal with the newly powerful opposition is complicated by the latter's insistence that the July presidential and congressional elections were fraudulent, an insistence that has, in turn, chipped away at Mr Salinas's appearance of legitimacy.

Narrow margin

Even if one accepts the official results of the elections, Mr Salinas won by an unusually narrow margin. To ensure victory, he had to rely on precisely those elements in the PRI whose opposition to opening up the political system and to shifting the state away from its old corporatist role in the economy is proving such a handicap to genuine economic reform.

Mr Salinas is relying on retaining the current social pact between the Government labour (whose leaders are still part of the PRI machine) and business. The pact, which aims to control public spending, wages, and the exchange rate, is due to expire at the end of the year. Though successful in the prime objective of curbing inflation, it has been enormously costly to the country's reserves. It can only be prolonged if the new President offers two distinct carrots: the prospect of a modest recovery, preferably by the latter part of next year, and a plausible promise of a new agreement with Mexico's international creditors to relieve the debt burden.

Such an agreement is vital. Low oil prices and a prospective slowdown in the US economy are making the transfer of resources outside the country ever more difficult to sustain economically and harder to justify politically.

On a knife-edge

With Mr Salinas on a knife-edge from the outset, it is encouraging that Washington has recognised the delicacy of the situation. The agreement by the US Federal Reserve and Treasury in October to provide a special $3.5bn bridging package was the clearest possible demonstration of US resolve to bail out its strategic southern neighbour.

This was further underlined by the unexpected meeting in Houston last week between Mr Salinas and President-elect George Bush. Mr Bush, with his Texas constituency, has clearly made the political and economic stability of Mexico a priority.

Even without the special Mexican-US relationship,the new President deserves a sympathetic hearing. Mexico has persevered with some tough economic adjustments and adopted a consensual approach to the international financial community – a responsible posture which has undoubtedly helped soften the impact of the six-year-old debt crisis in Latin America. However, Mr Salinas will deserve the sustained support of the international community only if economic restructuring goes hand in hand with domestic political reform.

Stefan Wagstyl on the overseas ambitions of Japan's Nomura Securities

Risk of missing the global bus

Nomura Securities, the Japanese giant of the financial markets, was once set to bury its international rivals in an avalanche of money.

It has not turned out that way. While Nomura goes from strength to strength at home, it has so far pushed only a fraction of its $32bn (£17.4bn) of assets overseas. In London, it has built a sizeable business. But in New York, the world's largest and toughest securities market, it has hardly made an impression.

In theory, the 1987 stock market crash should have presented Nomura with a golden opportunity to take advantage of its Western rivals. Nomura escaped relatively unscathed from the turmoil which left some of its international competitors with great holes in their balance sheets. Bright staff and market share should have been there for the taking.

In practice, Nomura has reacted to Black Monday and its aftermath in the same cautious way as most of Wall Street and London. With the exception of one conspicuous foreign acquisition, Nomura has played safe and concentrated on the home market.

There have certainly been good reasons for Nomura keeping its money at home since October 1987. Among the world's main financial centres, Tokyo alone has seen the securities business recover to near pre-crisis levels. Protectionist lobbies in Europe and the US have been increasingly strident in warning Japanese companies to tread carefully in foreign markets.

The strategy raises some fundamental questions about the international future of Nomura, and of other Japanese financial companies which have often looked to Nomura to lead the way:

- With vast opportunities in the fast-growing Japanese market, should it attempt to build a global securities business?
- Cossetted by a favourable domestic regulatory structure, is the company prepared to take the big risks inherent in going overseas?
- If Nomura fights shy of building a global securities business, is the task beyond the reach of any of the world's big financial institutions?

Certainly, no capital markets company is as yet in sight of matching the international scope of American Express in retail financial services, let alone IBM in computers or Exxon in oil.

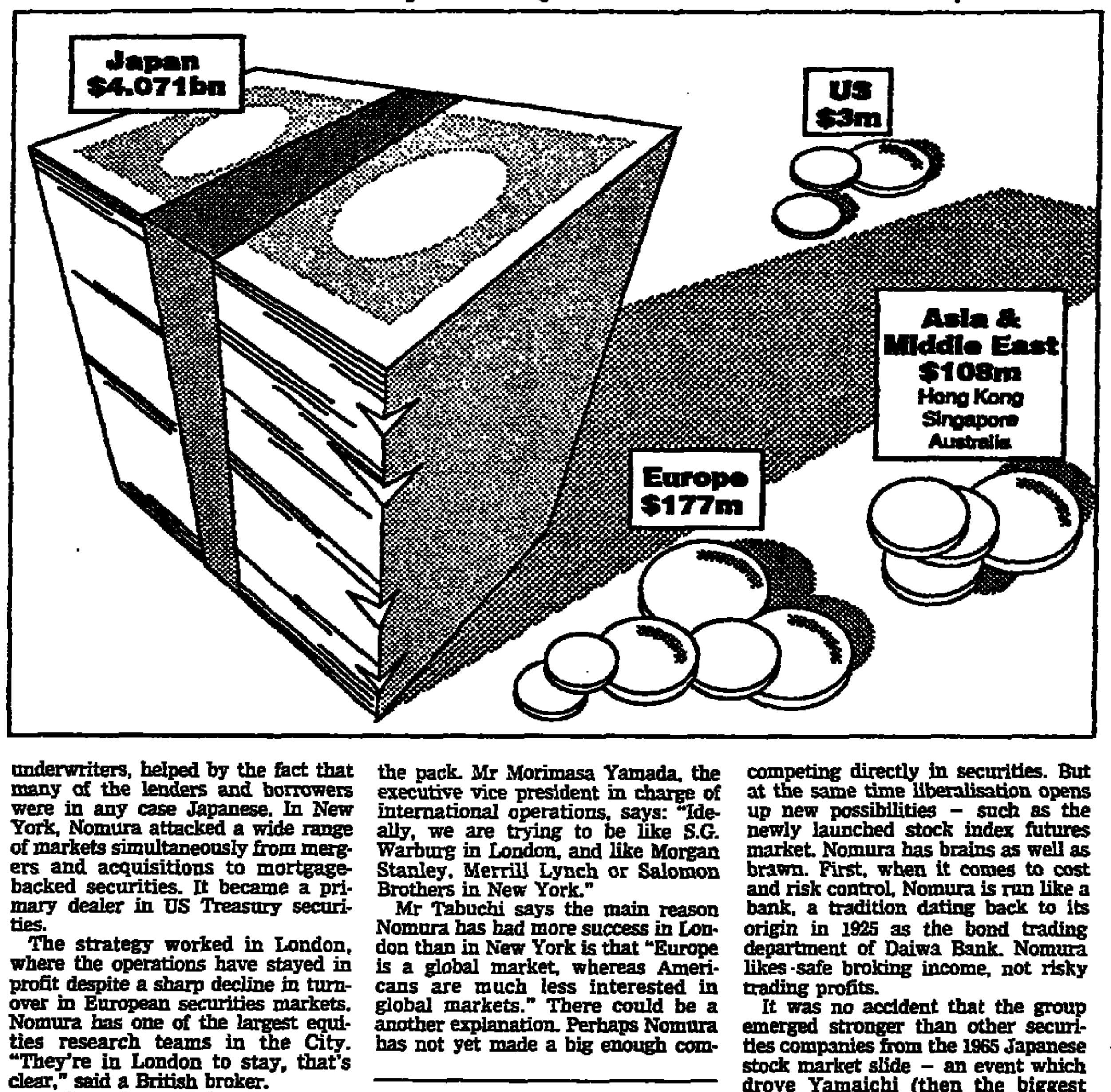
Mr Yoshihisa Tabuchi, Nomura's president, has a stated goal that half the group's revenues should come from international operations. But he is far from his target. In 1987, at the peak of the bull market in international securities trading, the figure was 7.7 per cent. In 1988 it will be less.

On the face of it, Nomura has been committed to internationalisation from its earliest days. The group opened its New York office in 1927, within two years of its foundation. But in practice the main benefit to Nomura of its early overseas presence were the ideas it could suck in from abroad – notably learning about retail marketing from Merrill Lynch.

This inward-looking view changed in the early 1980s when Japan's growing export surpluses made it essential for securities companies to improve their access to overseas markets, principally in New York and London. The liberalisation of securities markets in these two centres made it urgent for Japanese companies to move fast. From 1983 to October 1987, Nomura's staff rose from just under 200 in each city to 640 in New York and 510 in London.

In London, the group built a broad equity and bond business. It acquired a seat in the British gilts (government bonds) market; and it muscled its way to the top of the league of Euromarket underwriters, helped by the fact that many of the lenders and borrowers were in any case Japanese. In New York, Nomura attacked a wide range of markets simultaneously from mergers and acquisitions to mortgage-backed securities. It became a primary dealer in US Treasury securities.

Nomura consolidated pre-tax profits To end September 1987



The strategy worked in London, where the operations have stayed in profit despite a sharp decline in turnover in European securities markets. Nomura has one of the largest equities research teams in the City. "They're in London to stay, that's clear," said a British broker.

But New York is a different matter. Even before Black Monday, when Wall Street was making record profits, Nomura's New York business barely broke even. At the end of last year Mr Masaki Kawamura, perhaps Nomura's most experienced international manager, was transferred from heading the London operation to take charge in New York. The subsidiary's capital has been doubled to $200m and 80 staff have gone to cut costs. Nevertheless, New York is expected to have made "a slight loss" in the 12 months to the end of September.

"What to do about the US is Nomura's biggest difficulty," says one Japanese banker. Nomura's problem is that New York is central to its global ambitions. For Japanese investors the US is the prime overseas market, accounting for about 90 per cent of all investments in foreign securities. In Nomura's view, this business can only be handled properly if the company has a completely local presence – anything less means running a constant risk of being one step behind of the pack. Mr Morimasa Yamada, the executive vice president in charge of international operations, says: "Ideally, we are trying to be like S.G. Warburg in London, and like Morgan Stanley, Merrill Lynch or Salomon Brothers in New York."

Mr Tabuchi says the main reason Nomura has had more success in London than in New York is that "Europe is a global market, whereas Americans are much less interested in global markets." There could be a another explanation. Perhaps Nomura has not yet made a big enough commitment of people and capital to establish itself among the giants of Wall Street.

At the heart of Nomura's dilemma is the phenomenal success of its domestic operations

At the heart of Nomura's dilemma is the phenomenal success of its domestic operations. Virtually all of the parent company's pre-tax profits of Y405bn (£1.8bn), reported last month for the year ending September 30 1988, were earned in Japan. Nomura has all the advantages there of being the market-leader in a high-margin, fast-growth industry. The mountain of Japanese personal savings continues to grow, expanding Nomura's potential market every year by 10 per cent plus. Certainly, the Ministry of Finance is reducing some of the fences which keep outsiders – including commercial banks – from competing directly in securities. But at the same time liberalisation opens up new possibilities – such as the newly launched stock index futures market. Nomura has brains as well as brawn. First, when it comes to cost and risk control, Nomura is run like a bank, a tradition dating back to its origin in 1925 as the bond trading department of Daiwa Bank. Nomura likes safe broking income, not risky trading profits.

It was no accident that the group emerged stronger than other securities companies from the 1965 Japanese stock market slide – an event which drove Yamaichi (then the biggest company) to the brink of collapse. Next, there is innovation. NRI&NCC, Nomura's research affiliate, is, with 2,500 staff, the world's largest corporate think-tank. The Daiwa Research Institute has 200.

There is an element of luck in judging any market as volatile as securities, but Nomura has a reputation for using research to spot opportunities. For example, in the 1970s it created a new market for medium-term bonds among small investors by packaging these previously unpopular instruments in a special fund, and promoting it heavily.

Finally there is the company's huge energy. Although Nomura is conservatively run, decision-making is quick and flexible. A Japanese banker says Nomura is managed not like a financial institution but like one of Japan's high-growth post-war industrial companies – Honda, for example. Senior managers are promoted early so they reach the top at a younger age than their Japanese counterparts. Mr Tabuchi became president at 52, not unusual by Western standards, but uncommon in Japan.

Loyalty to the group, and to its work ethic, is legendary. Some staff have renamed Nomura "noruma", after the Japanese pronunciation of the Stakhanovite "norm". But even those rare people who leave have no complaints about the group.

It is easy to see why building overseas copies of this corporate monster have proved impossible. The group culture is suited to a large multi-divisional group in Japan, with Japanese staff. Although commission is paid, it is a much lower proportion of salesmen's salaries, for example, than at comparable American brokers. Nomura has far more in common with other well-run Japanese companies such as Honda than with the big Wall Street houses.

It is hardly surprising that foreign staff have sometimes balked at the levels of group discipline imposed on them. Some have even quit. In New York, Nomura has attracted enough analysts and traders by paying high salaries. But it cannot lure the best of Wall Street's business-builders – the top managers needed to run the operation.

The big question now is whether Nomura will give New York more time – or whether it will take a risky short-cut and buy a big US broker. There is no shortage of offers. Mr Junichi Ujiie, a general manager responsible for corporate planning at Nomura's head office in the Nihonbashi district of Tokyo says the group considered buying three Wall Street companies in the past 18 months – Bear Stearns, E.F. Hutton and Kidder Peabody – though only in the case of Kidder did talks begin.

Each time, Nomura thought the better of the deal because it feared it might not be able to manage its acquisition. The group believes the same difficulties of combining the corporate culture of Wall Street and Nihonbashi it already faces in New York will emerge on a far bigger scale in a $1bn-plus acquisition. "If we bought a US wire house [large retail broker], who would manage it?" asks Mr Ujiie.

But while Nomura waits for in-house developments to come right, it loses time. The fountain of ideas in securities is still in the US. Nomura needs to be on top of the market to keep abreast of developments which sooner or later also reach Tokyo.

Earlier this year the group bought a 20 per cent stake in Wasserstein Perella, a Wall Street boutique specialising in mergers and acquisitions, for $100m. It was a bold move which catapulted Nomura into a partnership with a company headed by two top specialists in mergers and acquisitions.

But it was also a hurried attempt by Nomura to catch up with a market where it felt it was being left behind. It could no longer afford to wait because of the interest of Japanese companies, the core customers, in international mergers and acquisitions. Mr Mitsuo Goto, president of Nomura Wasserstein Perella, a Nomura-WP joint venture in Japan, says after trying to develop in-house mergers and acquisitions skills Nomura had to make an acquisition to "keep up with the times."

A company with $32bn in the balance sheet can afford to take a chance with $100m. If Nomura convinces itself it can work with Mr Bruce Wasserstein and Mr Joe Perella it will perhaps build up the confidence to take bigger risks in the US.

Nomura will congratulate itself on its patience if the American markets stay in the doldrums. But if 1988 marks a low point in the fortunes of US securities houses, then the Japanese giant will have missed a rare opportunity to take advantage of Wall Street in a moment of weakness.

OBSERVER

The rose and the snake

■ The unofficial title of the European Community summit, which opens in Greece today, could well have been "The Name of the Rose," after Umberto Ecco's novel of medieval monastic skulduggery.

Not only does one etymological theory hold that the island of Rhodes, which is hosting the summit, takes its name from the Greek word "rodon", meaning "rose", but the 12 EC leaders will hold their meetings in the medieval setting of the restored 14th century Palace of the Grand Master, built under the Knights of the Order of St John, who were established on the island in 1309.

The skulduggery might be missing, though one can never be sure. The Greek Presidency wants to keep the peace at all costs during the summit, not least out of concern for the health of the Socialist Prime Minister, Andreas Papandreou. He is still recuperating from a serious cardiac operation in London in September and cannot take much stress.

Papandreou's illness has kept him out of action for two of the Greek Presidency's six months. He had hoped to use it to boost his Government's prestige at home.

As it is, Greek public attention is distracted by the domestic political crisis which erupted last month, when the banker and press baron, George Koskotas, a businessman with close contacts with the Socialist Government, fled the country after being charged with heavy fraud. The scandal looks like leading to a Socialist defeat in the general elections, due in mid-1989.

Papandreou's troubles suggest that another theory of Rhodes may be more appropriate. Some etymologists believe that it was not named after "rose" at all, but after a Phoenician word meaning "snake". Centuries ago the island was infested with the poisonous reptiles.

Guardian art

■ The Guardian is catching up with the pack and bringing out a Saturday supplement tomorrow. "It's not another colour magazine," says Alan Rusbridger, who edits it. "It's a tabloid with brains." It is predominantly black and white, 48 pages, and aims at carrying about 35 per cent advertising.

It contains a rather good idea: a sort of exchange and mart for the non-expensive art world. Artists can submit slides of their work. The Guardian will publish them and readers can negotiate with artists direct to buy them. The aim is to keep prices under £400.

Stakhanovite

■ Nedo, the National Economic Development Office, has recruited an expert on wages, employment and productivity as its new director of economics. Kenneth Mayhew has been persuaded to leave the high table and senior common room at Pembroke College, Oxford, for Nedo headquarters in the unappealing 1960s Millbank Tower. He takes over in January from Walter Eltis, who has already moved up to being Nedo's director general.

The 41-year-old Mayhew comes to Nedo by a roundabout route. A Manchester Grammar School lad, Mayhew kept up his Stakhanovite reputation when studying history in the easy-going Oxford of the late 1960s. He learned his economics at the Treasury before returning to Oxford in 1972.

"I'm an undercover drink drive crackdown agent."

Quiet diplomacy

■ Richard Francis, the British Council's Director-General since July 1987, has been a good boy as far as the Prime Minister is concerned. Unlike his predecessor, Sir John Burgh, now President of Trinity College, Oxford, he has refrained from tub-thumping about the Government's mean financial treatment of the Council's work.

As a reward, the Council was recently given an increase of £6m in its grant – 28 per cent of its total income – the first rise in real terms for 13 years. However, the vow of silence which Francis has imposed on his staff has had inevitable consequences. Its press and information service has become virtually redundant, and its activities have been incorporated in a new unit attached to the DG's office.

The head of the department, 47-year-old Michael Barrett, anticipating the abolition of his job, has decided to leave the Council after 25 years. In keeping with the Council's new business-oriented policy, he is joining Goddard, Kay, Rogers, one of Britain's biggest head hunters. As a good civil servant, he does not complain. "Though I am disappointed that the Council is unable to keep such a high profile as in the past, I was one of those who were in favour of restructuring. It was clear my job had to go."

Japanese wit

■ The Japanese may be buying up the western art world; one day, however, we may all be collecting Japanese cartoons. Two of the winners in the first international competition for cartoonists to be held in Britain were Japanese; another was a Russian and although none of them seemed either especially funny or satirical, perhaps it is an acquired taste.

The competition, sponsored by Waddingtons, will become an annual event. Victor Watson, the company chairman, said he considered sponsoring an exchange of views in the Cabinet or a burst of applause in the House of Lords, but settled for cartoons instead. The sponsorship cost £35,000. There is some hope of setting up a national cartoon gallery in the next few years.

Nostalgia

■ Workers cleaning off old posters at London's Bank Underground station have revealed pristine advertisements from an earlier, pre-decimal, era. One is for bottles (at 1/6d and 3s) of Dr J Collis Browne's Chlorodyne, an anti-diarrhoea medication fondly remembered by those of a certain age – not least for the heartfelt testimonies from veterans of Gallipoli that used to accompany each box. Another is for watches (at £2 5s and £7 7s), advertised with a curiously topical slogan: "Buy the Bravington way – pay cash." The Chancellor would approve.

POLITICS TODAY

Mrs Margaret Thatcher, left; and Mr Tom King, right

Diplomacy by megaphone

By Joe Rogaly

When young British soldiers are murdered in Ireland, Mrs Margaret Thatcher lets her heart rule her head. When suspected terrorists look like getting away, she loses her temper. It is likely that the overwhelming majority of British people respond in the same way. It is a natural human reaction.

This does not excuse the Prime Minister. What she says is of critical importance. Much harm can be done when she lets her feelings dominate her judgment. Her Government has sensibly devised a long-term, consistent, policy whose purpose is to minimise support for the terrorists. It is based on the Anglo-Irish Agreement which, to her credit, Mrs Thatcher signed three years ago. The agreement has two prongs. In British order, the first is to strengthen security. The second is to win the political argument. The Protestants must accept power sharing; the Catholics must be convinced that their aspirations can be met. Every resident of the six counties must feel confidence in the administration of justice. The extremists on both sides must be isolated.

It is true that the overall level of violence has remained high since this agreement was signed. Protestant paramilitary organisations have stepped up their activities. The IRA still possesses large stocks of explosives provided in earlier years by Libya. That is one reason why the agreement has few firm friends on the Conservative benches. Yet every British minister with direct experience of Northern Ireland still believes that the best hope lies in a persistent and patient pursuit of the two-prong strategy.

The Prime Minister has, however, made the worst of both worlds by going too far on security and not far enough on reform. Her sporadic interventions have greatly damaged relations with Ireland. They cannot have enhanced Britain's global reputation. Hard as it may be for the English to understand, many Europeans and Americans are receptive to the accusation that Northern Ireland is the victim of British colonialism. Those who peddle this accusation have had a good year. The consequence is likely to be a longer lease of life for the IRA.

Take, for example, Mrs Thatcher's outburst in the House of Commons this week. She was, she said, "utterly dismayed" at Belgium's failure to hand over the Irish former priest, Mr Patrick Ryan, whose extradition was sought on the ground of various alleged terrorist offences. The Belgian Government chose to allow Mr Ryan to fly to Dublin. Despite British hopes, he was not arrested on arrival. "Although the Government of the Republic of Ireland makes fine-sounding speeches," the British Prime Minister thundered, "they do not always seem to be backed up by the appropriate deeds." So much for the Belgians and the Irish. Next on the list was the European Court of Human Rights. It had ruled that seven days was too long to hold a terrorist suspect before bringing him or her before a judge. The Government, said Mrs Thatcher with understandable feeling, had to take account of the human rights of the victims and potential victims of terrorism.

In case her populist statements were not plain enough, Downing Street intimated that its boss was in a state of livid fury. Such indications of displeasure serve very well to enthuse Tory backbenchers, or even to bring recalcitrant ministers into line, but the megaphone is not often an effective instrument of diplomacy. The Prime Minister is careful to show her awareness of this when it comes to South Africa. She always addresses President Botha's republic with the utmost delicacy and respect. She understands real diplomacy particularly well in the case of the United States. President Reagan is about to leave office in the nick of time. Another month or so and he would drown in Thatcherite treacle and Margaretine syrup. Surely the Irish, who own most of the world's patents on various forms of flattery, would be even more susceptible to it.

To what *should* be the Government's acute embarrassment, the Prime Minister's expressions of rage have turned out to be awkward to justify. Tick off the items. First, on reflection, it is beginning to look like it might be possible to live with the European Court ruling. Five days might be long enough to hold a suspect, or a judge could be introduced into the mechanism. Second, Brussels may well have taken fright at the prospect of IRA revenge, but it can also argue that Belgian law precludes acceptance of the British demand for extradition on the basis of the evidence presented. Third, the Irish Government has obliged Britain to admit that there were defects in the papers sent by the British Attorney General, Sir Patrick Mayhew, to Mr John Murray, his Irish counterpart. The Irish

Mrs Thatcher has gone too far on security and not far enough on reform. Her sporadic interventions have greatly damaged relations with Ireland

protest that the Belgians were given plenty of time to assess the evidence; why should they be ordered to jump to in a matter of hours?

This last item is, however, more complicated than that. The Irish extradition law is brand-new. A faulty decision by Mr Murray might be overturned in the Irish courts. The law itself might be thrown out when it comes up for renewal in the Irish Parliament. Again, the Irish regard Sir Patrick as a Unionist at heart, and by inference as a man who is highly sceptical of the value of the Anglo-Irish Agreement. This view is well-known in Westminster. It may one day prevent Sir Patrick from becoming Secretary of State for Northern Ireland.

Meanwhile the actual Northern Ireland Secretary, Mr Tom King, must do his best to repair the damage caused by Mrs Thatcher's erratic calls for action. The pattern is becoming familiar. When eight soldiers were killed by an IRA bomb in Ballygawley in August, Mrs Thatcher cut short her holiday in Devon and returned to Downing Street. That action was in itself unexceptionable: the Prime Minister had to give expression to the national feeling of revulsion at what had happened. It is what she did next that could turn out to be harmful.

For she called in her Northern Ireland army and police chiefs, plus Mr King, and held a long weekend of what the newspapers and TV dutifully portrayed as crisis talks. This was gratuitous publicity for the IRA. Mrs Thatcher was not to be deterred. Something must be done, she insisted. Something has been done. In the three months since those weekend talks a number of measures has been announced. All are on the security side of the equation. All had been debated many times before. Most had been rejected as either ineffectual or likely to be of greater propaganda value to the IRA than they were worth.

The right of suspects to remain silent was circumscribed by a provision that the choice to do so could be taken into account in assessing guilt. Its likely effect on the conviction rate is uncertain. Meanwhile, many Irish nationalists will use this new measure as a propaganda weapon against "British imperialism". Britain's broadcasters were told that terrorists could not appear on their programmes. Their words still do; their propagandists rejoice. Remission of half the sentence for terrorist acts is to be reduced to a third. This will extend the length of time during which the IRA will care for prisoner's families. It will help it to win hearts and minds. Candidates in local elections will be required to make a declaration against terrorism. The IRA's front men, and some Unionist extremists, will do so, one hand behind their backs with fingers crossed. The IRA is thought to be delighted at the prospect of a fresh doorstep argument in future campaigns.

This is not to say that the terrorists should be handled with kid gloves. Proper security measures are vital. But new restrictions of low utility except as free publicity for the IRA are worse than nothing. To be fair, Mr King has also enacted a great many other, less well-publicised measures. Most of these are designed to allay Catholic suspicions that justice is administered in the Protestant or the British interest. Appeals procedures have been enhanced. Rules of police and Army behaviour have been made public. The simple fact that under the agreement there have been three years of dialogue between the Royal Ulster Constabulary and the Irish Garda has improved security.

A white paper on fair employment in Northern Ireland was published by Mr King in May; a bill will be presented in this session of Parliament. It does not go as far as Dublin would like, but its provisions would put pressure on the large Protestant companies to open their gates to Catholic workers. If only the British Government could stop being so easily provoked by the IRA, more could be done on the economic side of the equation. Co-operation with the Republic of Ireland in improving transport and promoting tourism would be more useful than expressions of anger.

The Irish Prime Minister, Mr Charles Haughey, is himself said to be lukewarm about the agreement, mainly on the ground that it was negotiated and signed by his predecessor, Mr Garret FitzGerald. He knows, however, that it is popular. He has therefore sought to say or do nothing that would leave him with the blame for destroying it. Mrs Thatcher had to be talked into the agreement by the former Cabinet Secretary, Lord Armstrong, plus Sir Geoffrey Howe and Mr Douglas Hurd, with Lord Whitelaw whispering encouraging mumbles in her ear. She, too, would probably prefer not to be saddled with the opprobrium of killing it. That would be a body-blow to the credibility of Britain's Northern Ireland policy, and a smashing victory for the IRA. It is to be hoped that she does not one day lose her head and allow that to happen.

LOMBARD

The truth about tax cuts

By Michael Prowse

THE FACT that the share of tax contributed by top earners rose during the 1980s despite substantial cuts in top rates gave British supply-side economics a huge psychological boost.

Newspapers ran excited articles about "Laffer curves" – parabolas which show revenues first rising but eventually falling as tax rates are raised. Commentators wrote glowingly of the positive impact of tax cuts on work effort, enterprise, risk aversion and so forth.

This doubt, however, surely casts doubt on all this euphoria. The world economy enjoyed its longest period of sustained prosperity in the three decades following the Second World War. Yet tax rates in almost all countries were higher than ever before: much higher than in the 1920s and 1930s when growth was lacklustre.

In particular, penal taxes were imposed on the rich almost everywhere, as part of the post-war commitment to build a more egalitarian society. Yet people worked hard, took risks, invested heavily and prospered.

It is thus absurd to argue that low marginal tax rates are a necessary *condition for economic prosperity*. Nor can they be a sufficient condition: most societies throughout human history have been lightly taxed by 20th century standards – yet most have experienced virtually no growth.

Taxation is just a small part of the complex web of economic, social, political and cultural factors which motivates individuals. Nothing that has happened in the 1980s lends credence to the extravagant counter-claims of the supply-siders.

Take the rise in the proportionate share of taxation paid by higher earners. After an exhaustive analysis of all the *factors that might influence* this ratio, Mr Andrew Dilnot and Mr Michael Kell of the Institute for Fiscal Studies conclude that it is "consistent with the existence of moderate incentive effects". Good news for supply-siders? Well, not really: Messrs Dilnot and Kell continue: "It is also consistent with other explanations which have little or no connection with incentive effects".

What might these be? In the first place, so long as a tax system is progressive, any general rise in real incomes will result in higher proportionate receipts from the better off – because they will be pulled deeper into higher rate bands. The same will be true of any changes which result in a less equal distribution of income and wealth.

For example, a rise in unemployment will reduce the earnings (and hence tax contributions) of low income groups, while a rise in corporate profitability will have the reverse effect on the rich. Both factors have played a role in the 1980s. Quantitatively far more important, however, is that real earnings at the top of the income pile have risen about six times as fast as those at the bottom.

Ah, but this misses the point, say the supply-siders. The rise in the relative earnings of the rich is a direct consequence of greater enterprise and effort on their part. Really? There is no direct evidence that chief executives, for example, are working much harder than in the past; there is certainly no evidence that work effort or enterprise has kept pace with their soaring salaries and share bonuses.

It is surely at least as plausible to argue that demand factors (shortage of skills during an economic boom) and changing social norms (less embarrassment about inequality) lie behind the big pay increases awarded top earners. Note that the 1979 tax changes had relatively little effect on the tax paid by different income groups until 1985-1986, when the economic recovery was *gaining momentum: this suggests* that demand factors were dominant.

Supporters of lower taxes on the rich would be wise to stick to ethical arguments. What really motivates the supply-siders is a burning sense of injustice: why should the rich pay so much? Let's face it, if Mr Lawson had wanted to spend £2bn on anything other than higher rate reductions, he would have demanded far more convincing evidence of the benefits than is available in the controversial case of tax cuts.

LETTERS

Nuclear alternative

From Mr R.F. Legge.

Sir, Your leader (November 22) states the case for opposing the proposed nuclear surcharge on all electricity users.

One vital question yet to be answered by Government is why it has not insisted that any new Central Electricity Generating Board (CEGB) nuclear building programme is based on pressurised water reactors (PWRs) of the same design as those constructed in France, under licence from Framatome. (Over 40 PWRs have been built in France in 15 years, average building time about 4 years, and have been operated safely to give very competitively priced power.)

Instead, the Government is allowing CEGB (later National Power) to magnify existing problems by constructing a series of PWRs of a design not exactly replicated elsewhere, with an expected building time of seven years for Sizewell B and with further modifications already in mind for the second PWR at Hinckley. Frequent design changes were a main factor in the advanced gas-cooled reactor plant fiascos now endured at Dungeness B and elsewhere.

CEGB is launching itself – and us – again into the unknown, secure in the knowledge that it is to be sheltered from competition and insulated from economic reality by a guaranteed nuclear market share of sales to area supply companies, and a nuclear levy to cover any excess costs.

It is an extraordinary policy. It could easily lead to serious electricity supply and cost problems, and even damage irretrievably the cause of nuclear power in Britain. It should be resolutely opposed during the passage of the privatisation bill through Parliament.

R.F. Legge,
87 Penshurst Gardens,
Edgware, Middlesex.

The greener the better

From Mr Jon Parker.

Sir, It is interesting that the UK Government now sees the water privatisation bill not only as an opportunity to increase economic efficiency, but also one where environmental quality can be improved. The Government would do well to learn from public concern about care for the environment, and sell the electricity privatisation bill in the same way.

Electricity privatisation could reap environmental dividends. Private companies would prefer to invest in small-scale electricity generation from gas or renewable energy, rather than make risky investments in large coal or nuclear power plants. Energy *demand management*, as opposed to investing in new sources of supply, is more popular with many private US utilities for least-cost energy planning.

There appears to be an inconsistent approach by the Government as to who pays for environmental improvement.

With water, it is clear that the consumer will have to pay. With electricity, the private companies will have to pay for clearing up sulphur emissions (FT, November 24).

However, the consumer will have to pay for nuclear power – now also being seen by some as justifiable on environmental grounds as well as for diversification.

The Government could easily insert a couple of clauses into the electricity privatisation bill requiring the electricity supply companies to consider environmental costs and least-cost energy planning when making investment decisions.

After all, two "green bills" are better than one.

Jon Parker,
Management Studies Group,
Department of Engineering,
University of Cambridge.

UN conference aims to hit drug traffickers where it hurts

From Ms Margaret Anstee.

Sir, Robert Graham's reports on "The Cocaine Business" on November 28 are timely, and his analyses very pertinent.

They are especially so in view of the troubling escalation of the problem; the strong role of market forces; the complex problem of controlling demand; the relationship with external debt; and the undermining of societies and institutions. (Though the rather cavalier comment that, in Bolivia, corruption has merely shifted from the military to the politician is surely unfair. It takes no account of the Herculean efforts of a democratic government, in sore economic straits, to control the problem, including the recent adoption of a comprehensive new law.)

I am surprised, however, that while some reference is made – in the context of bringing traffickers to justice – to the need for closer co-operation and co-ordination between governments, there is no allusion to the important measures being taken in this direction through the United Nations, and the considerable progress recently achieved.

The first international conference on drug abuse and illicit trafficking, held here in Vienna last year at the initiative of the Secretary-General and attended by cabinet ministers and other high-level representatives from 138 member states, marked a considerable breakthrough.

An international political consensus was reached on two key points:

First, that the drugs problem is of a gravity and extension that transcend national frontiers, and require a greatly increased level of international commitment and cooperation, which can only be achieved through the United Nations.

Second, that there can be no arbitrary apportionment of blame among countries, but rather a common determination to shoulder a shared responsibility, and attack simultaneously all aspects of the drugs scourge: supply, demand, trafficking and the prevention and treatment of addiction.

These principles are enshrined in a declaration and in a detailed guide for action at all levels; both of these adopted unanimously.

Your reports coincide with another ministerial-level meeting now taking place under United Nations auspices in Vienna. If successful, it will demonstrate governments' determination to translate these principles into action.

This is the United Nations conference for the adoption of a convention against illicit traffic in narcotic drugs and psychotropic substances, which began on November 25.

This new convention aims to close the loopholes in existing international legal instruments, and to hit the drug traffickers where it hurts them most: in their pockets and in their liberty of movement.

The conference, which is presided over by Mr Guillermo Bedregal Gutierrez, the foreign minister of Bolivia, is contemplating far-reaching measures on such critical questions as extradition; criminal jurisdiction; conspiracy and money laundering schemes; bank secrecy; strengthening and harmonisation of criminal sanctions; and the confiscation of proceeds derived from drug-related offences.

In short it addresses many of the problems raised by your reports. If a strong convention is signed by the end of the conference on December 20, and quickly ratified thereafter by a large number of member states, we may hope to enter a phase in which it will no longer be the case that, to quote from Mr Graham, "the odds are in favour of the drug barons".

Thus, if successful, the current conference in Vienna could be a landmark, and it is important that the public at large should know what is happening.

We are unfortunately accustomed to the fact that dramatic, even lurid news is more likely to catch the headlines than the quietly dogged efforts behind the schemes to reach international agreements to counter common problems of humanity. I have been trying (so far with only modest success) to interest the media in this event.

I hope very much that, in view of the interest in the drugs problem evinced in your articles, the Financial Times will follow the debates closely and give our attempted solutions equal prominence.

Margaret J. Anstee,
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FINANCIAL TIMES
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Team of technocrats for Mexican Cabinet

Richard Johns examines a reassuring line-up of postgraduates from US institutions

THE Cabinet appointed by yesterday's newly inaugurated President Carlos Salinas de Gortari anticipates strict adherence to the policies of economic austerity pursued by the Mexican Government over the past year.

His economic team of brilliant young technocrats should be seen as one well calculated to reassure local business, foreign investors and the international banking community that the new Government will continue the painful fight to control inflation and maintain the peso's parity against the dollar – whatever the political and social cost – as the fundamental prerequisite for renewed growth and hope for the future after six years of stagnation.

A tight group bristling with post-graduate qualifications from prestigious US institutions, they all worked together in evolving policy under the outgoing President Miguel de la Madrid and share the same commitment to the country's stabilisation and restructuring programme.

This will ensure smooth policy transition, unprecedented during the 60 years of the ruling Institutional Revolutionary Party's tenure of power.

The 40-year-old head of state has also taken the major decision – yet to be formally announced – to reorganise and streamline the economic management of the country under the umbrella of the Treasury headed by Mr Pedro Aspe.

The Treasury lost such control in 1976 when President Jose Lopez Portillo established the Ministry of Planning and the Budget.

Throughout the past 12 years there has been a lively debate over whether the control of income and spending should have been divided.

The separation has led to rivalries and friction in the past, most notably between Mr Salinas (when he was Minister of Planning and the Budget) and Mr Jesus Silva Herzog, who resigned from the Treasury in 1986 because of a dispute with President de la Madrid over foreign debt policy.

Having been his undersecretary, Mr Aspe, 38, who received a doctorate at Massachusetts Institute of Technology, succeeded the new President as Minister of Planning and the Budget when Mr Salinas was chosen as heir apparent to the presidency.

In this capacity he took the main credit for formulating the economic solidarity pact introduced last December which has been successful in bringing down inflation from a rate of 159 per cent in 1987 to 47 per cent to the end of October.

Mr Ernesto Zedilla Ponce de Leon (with a Yale PhD) takes over what will become strictly a Ministry of Planning.

He is a quintessential technocrat, apparently without high political ambitions, who worked out the Fircorca scheme at the Bank of Mexico to help companies cover their foreign exchange risks.

In a political appointment, and probably one of limited duration, Mr Jaime Serra Puch (also with a Yale doctorate) has been given the Ministry of Commerce and Development (Secofi), a labyrinthine and enormous bureaucracy which has often been at odds with the Bank of Mexico and the Treasury.

A large-scale rationalisation is indicated here although it is unlikely to be announced before legislation is introduced to make the changes.

Mr Salinas is said to be planning to reduce Secofi to a straight trade department while establishing a new Ministry of Economic Development which would assume responsibility for industry and foreign investment.

A pointer to this is the reappointment of Mr Fernando Hiriart, a respected civil engineer in his late seventies, as Minister of Energy, Mines and Parastatal Industries.

On the economic front, one of the most significant appointments is that of Mr Jose Cordoba, Mr Salinas's special adviser since he became heir apparent, as Technical Secretary to the Cabinet.

Having been born in France (of Spanish immigrant parents), he was disqualified from a ministerial post which almost undoubtedly he would have otherwise obtained.

He is expected to have a key role in international economic relations and Mexico's drive to obtain relief on its debt servicing burden.

Mr Fernando Solanda, latterly a very successful director general of Banamex, who was tipped for the Treasury among other positions, becomes Minister for External Affairs. He is believed to have pronounced pro-US sympathies.

The surprise appointment is that of Mr Manuel Camacho – a key Salinas political adviser who only in September was given the post of secretary-general of the PRI following its electoral reverses in July – as mayor of the federal district, a Cabinet post.

Success in dealing with the mounting and daunting problems of Mexico City, where a fifth of the country's 80m population lives and where the vote in July went decisively against the PRI, could make him a contender for the presidency in 1994. He was considered a contender for the Interior Ministry.

The choice for this critical post is causing most concern to the left-leaning National Democratic Front (FDN) coalition.

The tough Mr Fernando Gutierrez Barrios, an army officer by training, for 20 years was effective chief of political police. As the last governor of Veracruz, he ensured by time-honoured methods that the PRI won a resounding victory in the state in the July general election and the October municipal polls.

This appointment must have raised severe doubts about Mr Salinas's commitment to greater democracy and cleaner elections.

Another surprise was the re-emergence of Mr Manuel Bartlett, his predecessor, as Minister of Education and one of the three frontrunners for the PRI's presidential ticket this year.

His election is attributed partly to the settlement of a debt: Mr Bartlett and President Salinas are believed to have colluded in blocking the bid of Alfredo del Mazo, third of the trio in the contest, and reciprocally to have undertaken to recompense the loser.

Another reason for the choice would have been to have a strong politician to confront the troublesome teachers' union and deal with discontent on university campuses.

Editorial comment, Page 22

Cuba's President Fidel Castro (left) had a warm greeting for President Daniel Ortega of Nicaragua in Mexico City.

Opposition walk out of Salinas inauguration

By Richard Johns in Mexico City

THE inauguration of Mr Carlos Salinas de Gortari as President of Mexico yesterday was marred by the unprecented withdrawal of the entire parliamentary opposition in protest against electoral malpractices by the ruling Institutional Revolutionary Party.

Most of the protesting delegates left before Mr Salinas entered the vast Congress hall to don the red, white and green sash which he will wear for the next six years.

Taking the oath of office in Congress, Mr Salinas said he would order his new finance minister, Mr Pedro Aspe, to begin immediate negotiations with Mexico's creditors to reduce the burden of its $100bn dollar debt and thereby restore growth.

Mr Salinas also referred to the "profound moral renovation" carried out by his predecessor Mr de la Madrid who had passed on the tricolour banda presidencial.

The protest was quiet compared with the surging exit by members of the broad left National Democratic Front (FDN) during the state of the union message of Mr de la Madrid on September 1.

It was nevertheless a grave embarrassment in front of eight Latin American heads of state including Dr Fidel Castro of Cuba and a host of other dignatories among them Mr George Shultz, US Secretary of State.

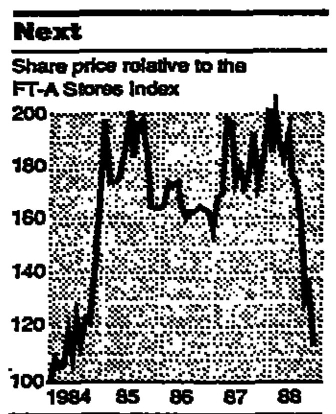
The FDN delegates, numbering 146 out of the 500 members of the Chamber of Deputies, were the first to leave.

THE LEX COLUMN

The elusive price of power

The business of privatising utilities is not the walkover it once was. After having handed the monopoly profits of British Gas and British Telecom to the shareholder only to whisk them away later, the Government is doing its utmost to get electricity right first time. The cost, revealed in yesterday's labyrinthine legislation, is a complex regulatory system that is not going to endear electricity to potential investors. The consumer may be better protected, but shareholders could be left with an investment whose value depends only partly on the efficiency of the company itself.

Meanwhile, the proposed structure for the industry may test the wits of sophisticated investors, and will utterly flummox Sid, whose support is essential. Profit forecasts will be all but impossible for the new constituent companies, with their new rules, new pricing structures, and brand new competitive threat from outsiders. This may matter less for the relatively simple distribution companies. Here the chief problem will be the logistical one of finding a way of selling all twelve companies that will allow private investors to buy shares in the local company, and will not drown the City in detail. But for the generating companies, the problem is acute; and even when the big decisions have been taken on balance sheets, and on the division of the nuclear burden between consumer, taxpayer and shareholder, calculations of value may be not much better than the present "childish fantasies" of which Mr Parkinson is so contemptuous.



RJR Nabisco

With the battle for RJR Nabisco over – barring a last minute hostile counterbid – KKR and its backers are faced with the rather unnerving question of what to do next. Taking the assorted junk at face value, RJR is being bought at around 19 times this year's earnings, or twelve times free cash flow. The latter figure suggests that with US prime at 10.5 per cent and probably rising, KKR cannot afford to hang around. Assuming that the plan still is to keep the tobacco business and sell off the food assets, KKR will presumably be checking with the industrial members of the abortive Forstmann Little consortium to see if they are still interested in buying piecemeal what they jibbed at owning in a lump.

There should be no problem in principle over selling what are still some of the best food brands around. Even at the local UK level, it would be surprising if such as Allied Lyons were not interested in buying the old Huntley & Palmer biscuit business. The problem is rather on the other side; the lower the price reached for the food business, the higher the implied multiple needed for tobacco if KKR is to contrive a profitable exit. It all might work, but it leaves precious little room for accidents.

Next

Once retailers start to disappoint, they find it hard to kick the habit, but yesterday's shocker from Next has an air of finality about it. Likely profits of £70m this year and £80m next may be a fraction of forecasts just a year ago, but the figures are not likely to suffer further Harris Queensway-style shrinkage. While Next may have been honest about the extent of the profit decline, it is hard to believe that the timing of its disposals and the postal strike are the main culprits. In fact everything seems to have been disappointing, as if the company is finally having to pay the bill for Mr Davies' legendary dash and vision.

Where others in these straits have been taken over, Next may well escape, and not just because it has sensibly strengthened its balance sheet and is now looking to its costs. Fellow retailers have enough problems of their own without taking on more; and to extrapolate from the price paid for Freemans earlier this year is to forget how much sicker the industry has become since then.

General Cinema

The sale of General Cinema's soft drink bottling operations to Pepsico says a lot more about its attitude towards enhancing shareholder value than it does about its intentions towards Cadbury Schweppes. Despite its name, General Cinema is in the business of buying and selling assets, and the sharp drop in Pepsico's share price yesterday testifies to the shrewd bargain that has been struck. A price tag of $1.5bn, or more than twice annual revenues, for a business whose earnings have been marking time for several years is no mean feat.

The bull case for Cadbury Schweppes is that the sale of over half of General Cinema's business means that it is in a far better position to mount a bid for a company more than twice its size. In addition, severing its ties with Pepsico eliminates any potential conflicts of interest which might arise as a result of Cadbury's ties with Coca-Cola. However, all of this is probably far too straightforward for General Cinema; and, given that it has already doubled its money on its Cadbury stake, it is probably not in any hurry to make a move.

BPB

If BPB really can engineer the kind of soft landing for plasterboard prices which it is now predicting, it is rather a shame for the rest of us that it did not do so sooner. In the world according to BPB, European plasterboard prices and costs of production will decline like two parallel tramlines to the middle of the next decade, with the gap between them maintained by £200m spent on upgrading BPB plant. All the market will have to deliver is the volume to keep absolute profits on the move.

By the end of the decade, both Redland and Knauf will be doing their worst to make sure that more UK volume deserts their monopolist rival. But if BPB does manage to cut costs by a quarter, as it claims is possible, then it is not too hard to predict which company will make more money in the end. Losing its monopoly will probably cost BPB its record of 20 per cent profits growth per annum, with the increase slowing to perhaps 10 per cent annually for the next few years. BPB shares landed with a dull thud as a result, on a p/e ratio at 22p which bears a striking resemblance to the prospective yield of about 6.5 per cent, and it is difficult to see why they need be chastised any further.

Warburg drops S African gold stocks

By Kenneth Gooding, Mining Correspondent, in London

WARBURG Securities, one of London's major securities houses, yesterday gave up making a market in South African gold mining stocks.

The company said the move was made purely for commercial reasons because activity in these equities had fallen to a very low level.

However, analysts at other stockbrokers pointed out that activity had dried up because of growing anti-South African sentiment.

"The sector has been hit by the political hassle factor. Fund managers who would like to invest in South African gold mining shares for their yields or for historic reasons cannot face the bother of arguing about the issue with their trustees," said Mr Andrew Quinn, senior analyst and salesman with James Capel's mining team in London.

"There is hardly any business. The holders of these shares are in for the long term, the sellers are out already. There are not many buyers in London although there are still one or two big players in the US and on the Continent of Europe," he added.

Warburg has never previously stopped making a market in particular stocks since it was formed in October 1986 from a merger of stockbroker Rowe and Pitman and Akroyd & Smithers, the jobbing firm.

It said yesterday that one market maker would be leaving as a result of the change but other employees affected would be redeployed.

Warburg stressed that it remained heavily committed to the mining sector generally and would continue to provide research on South African gold stocks and continue to deal for clients.

The remaining major market maker in the equities is Smith Newcourt whose chief executive, Mr Michael Marks, said last night: "We have been making a market in South African stocks for 50 years and we don't intend to stop now. Three times in our history we have been left alone in South African equities but others came back when interest was eventually revived."

Among the organisations who continue to make a market in South African gold shares, albeit only in a small way, are Credit Suisse, Merrill Lynch and Shearson Lehman Hutton.

Benazir Bhutto named as Prime Minister

Continued from Page 1

ing an agreement with the Mohajir Quami Movement, a small regionally based party representing Indian immigrants which won 13 seats in the elections.

On Wednesday Ms Bhutto's main rival, Mr Nawaz Sharif, gave up the fight to form a coalition when he surrendered his National Assembly seat to concentrate on forming a provincial government in Punjab, where his party grouping, the Islamic Democratic Alliance (IDA), has a majority.

In his broadcast to the nation, the acting President called Ms Bhutto the "choice of the nation," describing her as "young, well educated and broad-minded." To mark the occasion the President announced the lifting of the emergency which had been in place since the death of President Zia.

To mark the occasion he announced the lifting of the emergency which had been imposed after the death of President Zia.

Ms Bhutto did not watch the broadcast because she was meeting with the Foreign Secretary and Defence Minister. Outside the state guesthouse, however, the streets of Rawalpindi erupted into a huge roar of "Prime Minister Benazir" and "Long Live Pakistan's People's Party" as fireworks exploded in the night air.

As the first woman leader of a Moslem state, Ms Bhutto is likely to find her position challenged by religious members of the opposition who claim that, according to the Koran, a woman cannot head the state. The IDA, however, is unlikely to put up a serious fight because it is in disarray and has yet to find a parliamentary leader.

Perestroika at critical stage

Continued from Page 1

market principles – only the first was being tackled.

"I think that the restructuring of the economy is now at a critical stage. It has run into obstacles which make it necessary to make corrections to the original plan and aims. We must forego the view.... that everything could be accomplished in a year. The only way we will achieve success is in years and decades," Prof. Abalkin said.

"We had hoped that it would be simple and we could solve everything in a short time. Public opinion expected miracles – after all, people do love miracles."

The conference, held by the Scientific Academies of the US and the USSR, is expected to be followed by further exchanges. Already, the two sides are engaged on joint study of nuclear power station safety, of the use of robotics in microsurgery, and advanced robotic applications.

Gorbachev wins on reforms

Continued from Page 1

lics, restricting the powers of the Congress, the Supreme Soviet itself, and providing more controls on the executive presidency.

He promised a far-reaching debate on the whole question of federal relations within the USSR, and a redefinition of union-republic ties, at a full Communist Party central committee plenum next year. He said this would draft the next phase of constitutional reforms, to be approved by the next assemblies.

Crucial amendments agreed before the final vote include a restriction on the power of the new national assemblies to declare martial law in any area: in future it can only be done in consultation with the republics.

Another prevents the Supreme Soviet from laying down strict guidelines for republican economic plans, and from deciding on the legality or otherwise of "social organisations" such as the informal groups and popular fronts springing up around the country.

The republics will also have more members on the constitutional control committee and the right to appeal directly to it against national bodies such as government ministries.

However, the tiny Baltic republic of Estonia was once again reprimanded for going too far by suggesting that it would not implement the reforms identically back home. All 15 republics in the USSR must do the same, the deputies were told.

The Soviet leader's urgency in pressing through his constitutional reforms, and determination to get on with the new elections, persuaded him to override obvious doubts about the new system even within the ranks of his closest supporters.

A key consideration appears to have been his desire for the greatest possible upheaval in the membership of a body which over the past three days has shown that few of its members really understand the nature of the planned political reforms.

Well over half the chosen speakers did no more than toe the party line.

In spite of it being only five weeks since the draft proposals were published, the reforms have, however, aroused a real public debate, particularly in the outlying republics. A handful of speakers warned that public demands for greater democracy and greater transparency in the system went far beyond what most deputies appeared to recognise.

Mr Gorbachev himself admitted that many questions arose because the party leadership had failed to explain their intentions adequately. "The centre was following the old practice of declaring: they will get used to it," he said.

In an unscripted insert in his speech, evidently aimed at the new nationalist movements, he confessed: "We have to get rid of suspicion towards each other."

WORLD WEATHER

		°C	°F
Ajaccio	C	16	61
Algiers	C	15	59
Amsterdam	C	01	34
Athens	C	17	63
Bahrain	C	23	73
Bangkok	F	29	84
Barcelona	F	15	59
Beirut	C	20	68
Belfast	C	06	43
Belgrade	C	14	57
Berlin	Sn	00	32
Biarritz	R	18	65
Bombay	-	—	—
Bordeaux	F	13	55
Brussels	C	07	45
Budapest	Sn	-3	27
B. Aires	R	27	80
Cairo	F	23	73
Cape Town	S	21	70
Caracas	R	26	79
Casablanca	C	19	66
Chicago	C	01	33
Cologne	C	10	50
Copenhagen	C	-1	30
Corfu	F	16	61
Dallas	F	04	39
Dublin	C	10	50

		°C	°F
Dubrovnik	C	14	57
Edinburgh	C	05	41
Faro	F	18	64
Florence	C	16	61
Frankfurt	R	10	50
Funchal	C	18	64
Geneva	C	10	50
Gibraltar	F	17	63
Glasgow	C	05	41
Guernsey	C	10	50
Helsinki	C	-10	14
H. Kong	F	21	70
Innsbruck	F	06	43
Inverness	C	03	37
Islamabad	F	26	79
Istanbul	C	10	50
Jakarta	R	30	86
Jersey	F	11	52
Jo'burg	R	23	73
Lima	C	23	73
Lisbon	C	18	64
London	C	08	46
Los Angeles	F	27	81
Luxembourg	C	07	45
Madrid	F	11	52
Majorca	F	15	59
Malaga	F	18	64

		°C	°F
Malta	R	19	66
Manchester	C	05	41
Manila	C	30	86
Melbourne	C	19	66
Mexico City	F	20	68
Miami	C	27	80
Milan	R	07	45
Montreal	C	06	43
Moscow	C	-2	28
Munich	C	07	45
Nairobi	C	24	75
Naples	R	16	61
Nassau	F	30	86
New Delhi	F	25	77
New York	C	11	52
Nice	R	10	50
Nicosia	F	19	66
Oporto	F	14	57
Oslo	F	-7	19
Paris	C	12	54
Peking	S	10	50
Prague	C	-3	27
Reykjavik	R	05	41

		°C	°F
Rhodes	F	17	63
Rio de J'o	F	30	86
Rome	R	15	59
Salzburg	F	05	41
San Francisco	F	21	70
Seoul	F	08	46
Singapore	F	31	88
Stockholm	F	-8	18
Strasbourg	C	08	46
Sydney	F	21	70
Taipei	F	21	70
Tangier	C	16	61
Tel Aviv	S	20	68
Tenerife	F	21	70
Tokyo	F	14	57
Toronto	C	06	43
Tunis	R	17	63
Valencia	S	16	61
Venice	R	09	48
Vienna	D	-3	27
Warsaw	C	03	37
Washington	F	03	37
Zurich	F	06	43

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK steel sell-off attracts 400,000

Continued from Page 1

market. Yesterday 200,000 applications were received, doubling the previous total.

According to Samuel Montagu, the merchant bank advising the Government, the 265,000 applications which had so far been processed were for a total of 335m shares, or the equivalent of £418m fully paid. There were 110,000 public applications still to be processed and 25,000 applications from British Steel's employees and pensioners.

A bumper bundle of applications today might trigger the clawback element of the offer, under which shares from the overseas offer are reallocated to satisfy UK demand. Without the clawback, 23 per cent of the issue is set for the UK public, 44 per cent for UK institutions and 33 per cent for overseas.

APPLICATIONS FOR PRIVATISATIONS AND BIG PUBLIC OFFERS

TSB	5m
British Gas	4.4m
BAA	2.47m
British Telecom	2.3m
Rolls-Royce	2m
British Airways	1.1m
BP	0.27m
Eurotunnel	0.11m

● The UK Government is prepared to contribute between £1bn and £2.5bn ($1.85bn and $3.4bn) to cover unforeseen costs of decomissioning nuclear stations and handling nuclear waste after the electricity industry is privatised.

This will be in addition to the imposition on all electricity consumers of a "non-fossil" levy.

UK news, Page 9

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 2 1988

INSIDE

Building afresh at Australia's CSR

In less than two years, CSR, one of Australia's largest companies, has undergone a dramatic transformation. It has shed most of the costly resource assets which tarnished its reputation among investors. Meanwhile, it has expanded at home and abroad, mostly in building materials, now the group's principal line of business. Chris Sherwell reports Page 28

Electrifying changes for power equipment makers

The world's power station equipment makers are in the throes of one of the most comprehensive restructurings undertaken by a single industry. Ever since Asea of Sweden and Brown Boveri of Switzerland merged last year, there has been a rash of takeovers and joint ventures in the sector, creating a web of European businesses, with tentacles stretching to US equipment makers. Page 27

The dangers of drought and erratic global harvests

Global warming - caused by the build-up of carbon dioxide and other gases in the world's atmosphere — could lead to major shifts in patterns of agricultural production, erratic harvests and food shortages, according to two reports published this week. And one report warns of a possible US drought again next year which could dwarf the effects of the 1970s oil price hike. Page 40

Reforming EC agriculture

The biggest single factor bringing the EC's farm support spending under control this year — the US drought — was outside its control. Nevertheless, the EC insists its reforms of the common agricultural policy have been successful. Bridget Bloom, concluding our series on efforts to curb agricultural costs, finds the jury is still out on whether or not long term objectives will be achieved. Page 40

Tate & Lyle's sweeter profits

Mr Neil Shaw (left) chairman of Tate & Lyle, the UK sugar manufacturer yesterday reported a 31 per cent rise in full-year pre-tax profits, thanks to higher contributions from cereal sweeteners and starches, the result of acquisitions. The original parts of Tate raised profits by more than 10 per cent. Page 32

Baxter looks across the Atlantic

Baxter International, which has emerged from five turbulent years in the US healthcare industry as the country's major hospital supplier, is now looking to boost its overseas division in five target countries — Japan, West Germany, France, the UK and Canada. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

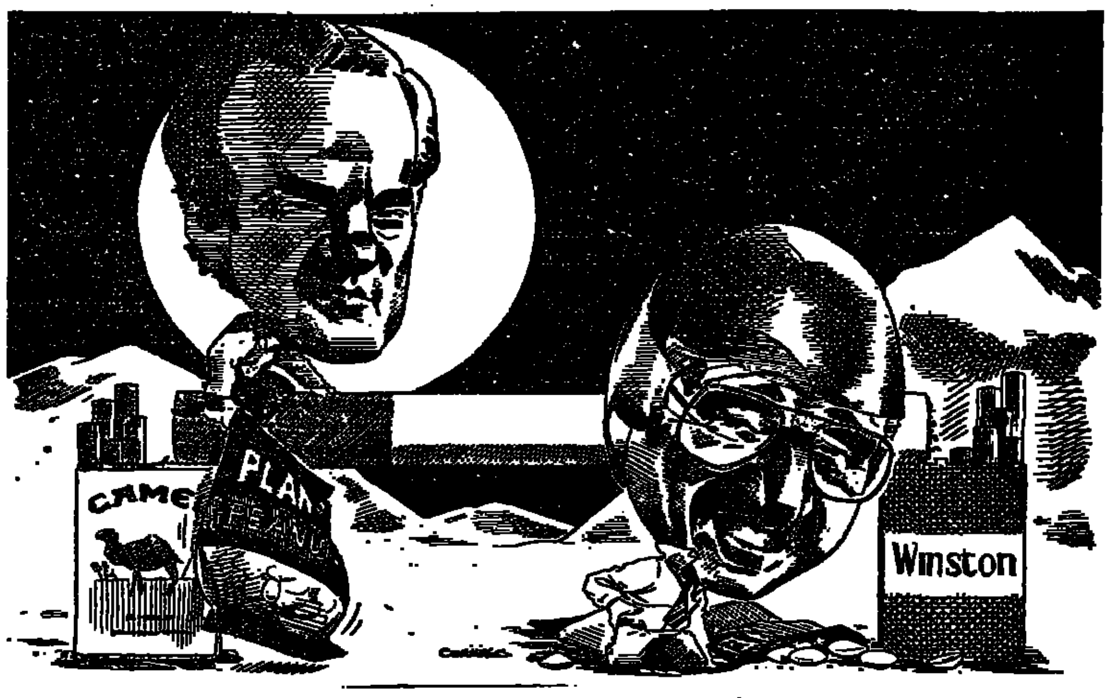
FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Kaufhof	383	+	4	Carnd Plas	576	+	26
Man	226	+	8	Hachette	1540	+	49
Mannesmann	193.1	+	3.2	Sogerap	1135	+	3.5
Falls				Falls			
Cont'l Gummi	267.8	-	2.9	Eaux France	284	-	13
Lufthansa	144	-	2	Locafrance	413	-	13.5
Nixdorf	313	-	14	Pechelbronn	1068	-	27
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Gen. Cinema	23⅝	+	1½	Japan Battery	899	+	100
Humana	18¼	+	1½	Maji Leather	1220	+	130
Falls				Nichias	2500	+	60
AT & T	29⅞	-	½	Falls			
Pepsico	38⅞	-	2	Fuji David	3950	-	250
RJR Nabisco	92¼	-	¾	Taiko	2100	-	160
San Diego Gas	39⅞	-	¾	Tokoku Elect	1960	-	160

New York prices at 12.30.

LONDON (Pence)							
Rises				Davy Corp.	160	-	7
BOC Grp.	405	+	8	Eurotunnel	431	-	17
Chamberlin Hill	233	+	8	Goldberg (A)	195	-	14
Cosalt	71½	+	6½	St. Portland	382	-	12
Cundell Grp.	195	+	15	Land Sec.	578	-	11
Fobel Grp.	83	+	7	MEPC	558	-	11
Monks & Crane	95	+	7	Metro	534	-	10
Rowlinson	210	+	13	Next	136	-	20
Falls				Reed Int.	374	-	11
Bejam	170	-	18	Rothmans	428	-	10
Brit. Aero	431	-	8	Storehouse	204	-	8
Burton Grp.	171	-	10	Sun Life	911	-	17
Courtaulds	246½	-	8½				
Gray Elect.	187	-	35				

Upside down end to the greatest auction ever

James Buchan on the battle for RJR Nabisco



Victor Henry Kravis of KKR and RJR Nabisco's chairman Ross Johnson

THIS WAS the ultimate Wall Street drama. For its last 24 hours, the battle for RJR Nabisco had almost everything: rage, greed, guys in braces staying up late in mid-town offices, debt, soft drinks and lawyers. What it did not have was more hard cash for the owners of RJR Nabisco.

Yesterday morning, after a night and a day of ferocious bidding between Wall Street's richest investment firms, RJR stock was actually down, by $¾ at $92¼.

The winning bid, which was put in by Kohlberg Kravis Roberts, a New York partnership specialising in debt-financed takeovers, was valued by RJR at $109 a share or $25bn. This was much higher than the original bid of about $75 a share, proposed by RJR's management under Mr Ross Johnson, the company's chief executive, when history's greatest corporate auction began on October 20.

But the Kohlberg Kravis bid, crowned the winner by an independent committee of RJR's directors late on Wednesday night, consists of only $81 or $18.4bn in cash. This is less than the $84 in cash that the Johnson group says it offered on Wednesday afternoon as part of a $112 offer. And it is much less than the $90 a share in cash that Mr Johnson, backed by Shearson Lehman Hutton and Salomon Bros., said it could pay at the close of an earlier round of bidding on November 20.

Another offer, from a group led by First Boston, was valued tentatively valued at between $103 and $115 but was taken out of the running before Wednesday's denouement as too tentative.

By any standards, it was an upside-down sort of auction.

As Wall Street worried at this puzzle yesterday morning, two ideas began to emerge. First, the bankers on both sides were willing to fight this auction to the death, but not with their own money. Second, RJR's non-executive directors under Mr Charles Hugel, chairman, had reasons of their own not to give the company to management and Mr Johnson.

The key to the financing of the auction is what is known biliously on Wall Street as "The Cramdown". Apart from its $81 per share in cash, Kohlberg Kravis is giving RJR's owners $18 in preferred stock and $10 in a debenture eventually convertible into RJR equity. The last offer by the Johnson group, which was finally presented to the special committee on Wednesday afternoon consisted of $84 in cash, $24 in preferred stock and $4 in convertible securities.

The professional speculators or arbitrageurs who own much of RJR hate these "cramdown" preferred and convertible securities. The preferreds will most likely be junk bonds known as pay-in-kind or PIK Preferreds, which pay no cash interest and are so low in priority in the event of bankruptcy that they are like shares that pay no dividends. "Nobody who gives you cramdown paper ever gives you cash payments", moaned one arb yesterday. The other securities will be converted into a minority stake in a private company after four years. For arbs, who prize liquidity before all things but capital gain, these are unattractive securities.

The bidding and counterbidding on Tuesday night and Wednesday at the special committee's Third Avenue law firm, Skadden Arps Slate Meagher & Flom, was less dramatic in hard financial terms than it sounds. The bidders already needed to borrow almost as much as the entire foreign debt of Chile to finance their first-round cash offers. To go higher, they had to borrow from RJR's existing shareholders. The junk bonds and convertible stock are nothing but inexpensive bridge loans from Wall Street's arbitrage community - to buy out the arbitrage community. The Johnson group actually reduced its *cash offer* to shareholders, from $90 to $84, and increased its *demand* on them from $10 to $28.

Mr Johnson and Shearson Lehman were still mad as hell yesterday morning. In a brief statement, Shearson Lehman said: "From what we know, our bid is the best. We are mystified about the process and the standards that the board used to reach its decision." Mr Johnson was terser: "I am proud of the fact that we put the best bid on the table the first time and this time."

Certainly, the Hugel committee kept moving the goalposts. It called off the first auction on November 20 in order to allow in the First Boston offer. On Tuesday night, the committee was ready to declare Kohlberg Kravis the winner at $106 a share, but the Johnson group fought back. At one point in the night, the Johnson group accused the committee and its chief lawyer, Mr Peter Atkins of Skadden Arps, of negotiating secretly with the other bidder. They begged to be allowed to present a higher offer. By mid-morning on Wednesday, a furious Mr Johnson was threatening to go public with a higher offer unless the committee admitted him to present it. This was $112 a share.

The non-executive directors said yesterday that the two offers were "substantially equivalent". Bankers and arbs were prodigal with theories as to why the special committee favoured Kohlberg Kravis.

Some said that the non-executive directors resented Mr Johnson using his privileged position to buy the company at $75 "on the cheap". An arbitrageur said: "They hated the way he did the whole thing. They hated the way he tried to steal the company at $75. And KKR has a better record at doing these big transactions."

Neither Mr Hugel nor other non-executive directors could be reached for comment yesterday morning.

It is still conceivable that the Johnson Group will sue or even launch a hostile tender offer for RJR. Said one aggrieved adviser on the losing side: "I imagine as the two bids are revealed and get out in the market, the general reaction will be that ours was better. We're examining our options. Nothing is out of the question at the moment."

General Cinema hopes to sell its bottler to PepsiCo

By Lisa Wood

GENERAL Cinema, the US group, announced yesterday that it planned to sell its US soft drinks bottling business to PepsiCo, the second largest drinks group in the world, for $1.5bn (£810m).

The announcement gave fresh life to City speculation that the cinema group might make a takeover bid for Cadbury Schweppes, the UK *soft drinks* and confectionery group in which it holds a 18.4 per cent stake.

General Cinema Beverages is the second largest independent bottler of Pepsi-Cola drinks in the US, and its acquisition fits into PepsiCo's strategy of acquiring its bottlers.

General Cinema declined to talk specifically about its intentions towards Cadbury. It said: "Right now we have no plans as to what we are going to do with the proceeds of the deal."

Cadbury's shares closed at 345p, up 6p per share, with the City undecided as to the American company's intentions.

PepsiCo said yesterday: "We have had general discussions with General Cinema for some time about whether it wanted to sell the drinks operation. Recently it said it was interested in selling the business."

The purchase price will be paid in 20-year interest bearing notes which will bring tax advantages. The deal is dependent on Government approvals and on completion by the end of the year.

Mr Richard Smith, *chairman* and chief executive of General Cinema said: "We are taking advantage of an excellent opportunity to enhance shareholder value."

Mr Smith said the transaction would result in a pre-tax gain of approximately $1.2bn for financial reporting purposes.

PepsiCo, which last year bought Grand Metropolitan's US soft drinks activities for $705m, said that the proposed deal was one of the most important strategic investments that it had undertaken.

US soft drinks consumption is the highest per capita in the world. It is a highly competitive market with low margins.

The biggest companies are rigorously seeking greater economies of scale by centralising production.

Five years ago PepsiCo owned 22 per cent of its bottlers. Acquisition of General Cinema bottlers will take this up 48 per cent. The acquisition will bring some dilution in earnings per share next year.

General Cinema, which expects to report operating profits of about $165m for the year to last October, including $93m from the *drinks division*, started building its stake in Cadbury nearly two years ago.

This year it announced that it should not be regarded as a passive investor. The group, which is about one third of the size of Cadbury, is highly geared.

General Cinema will face three big stumbling blocks should it wish to bid for Cadbury.

Those are the UK group's improved performance, the expectation that General Cinema would want to sell the confectionery division, and the attitude of Coca-Cola.

Coca-Cola and Cadbury have an important joint venture in the UK in soft drinks.

It is understood that should a bid be made for Cadbury, Coca-Cola would have first option on acquiring Cadbury's 51 per cent stake in the venture.

Next chief gives warning of 'significant' drop in profits

By Maggie Urry in London

NEXT, for years one of the most successful of British retailers, yesterday surprised the City of London when Mr George Davies, the chairman of clothes group said that the company's profits for the year to end January 1989 would be "significantly lower than last year".

He also warned that investors should only expect "modest growth" the year after.

Next's shares fell 20p to close at 136p as analysts swiftly cut their forecasts of pre-tax profits this year to around £70m ($130m), against £92.4m achieved in 1987/88.

For 1989/90 analysts are now forecasting £80m.

Mr Davies is the latest of several once glamorous British retailers to fall from the City's grace against a background of much tougher general trading conditions.

Under his leadership, Next emerged from dowdy origins as the J. Hepworth clothing chain into an innovative, design-conscious retailer with interests spanning men's and womenswear, jewellery, furniture and mail order.

An unusually subdued Mr Davies – who has presided over several years of strong profits growth – yesterday blamed three special problems for the setback.

First, the sale of some of the businesses acquired in June as part of the acquisition of Combined English Stores, notably Zales and Salisburys, just before the Christmas profit peak. This would cut £7m to £8m off pre-tax profits.

Secondly, the effect of the postal strike on the home shopping business would depress profits by £12m. Recruitment of new customers also suffered, which would also mean lost sales in the future.

Thirdly, Mr Davies said the interest charge would be higher, in part because of a provision being made for a put option on convertible bonds which allowed investors to demand repayment at a premium.

To some extent these problems had already been taken into account by the stockmarket. Next's shares fell nearly 10 per cent on the day interim results were announced in late September.

However, behind all the specific difficulties is the poor trading background for fashion retailers generally. Clothing sales have been dull all summer and "trading in October and November has become far worse," Mr Davies said.

Many shops are already holding sales and business is intensely competitive. Some stores are heavily over-stocked. However, Mr Davies claimed that Next was getting at least its fair share of any trade.

AT&T to report first annual loss

By Roderick Oram in New York

AMERICAN Telephone and Telegraph, the dominant US telecommunications group, will report the first annual loss in its 103-year history following a $6.7bn pre-tax write-off of obsolete equipment in its long distance telephone network.

The charge, larger than expected and double the previous US record set by AT&T in 1986, will reduce fourth quarter net income by $3.9bn, resulting in a loss for the period and year, the company announced yesterday. It declined to forecast the result but analysts were expecting full-year net profits of about $2.3bn which would indicate a loss after the charge of about $1.6bn.

"These actions will not significantly affect cash flow nor will they adversely affect our ability to pay dividends and continue investing in the business," Mr Maurice Tanenbaum, vice chairman and chief financial officer, said.

AT&T's stock slipped only $¼ to $29⅝ even though the write-off, consisting mostly of non-cash accounting changes, was bigger than the $4bn-$5bn expected. The company announced in October that it would write off the remaining analog equipment in its long distance networks following accelerated installation of state-of-the-art digital technology.

Reflecting competitive pressure from MCI Communications and Sprint, two young competitors with fully digital services, AT&T brought forward to the end of 1990 its target date for carrying all US switched traffic via digital signals.

AT&T said yesterday it would cut 16,000 operators and network personnel because of the higher productivity but it hoped to retrain most of them for other jobs in the company.

It also announced it was accelerating the depreciation of its digital equipment. Coupled with depreciation of some $3bn of new network equipment added next year, the move will leave the company's overall depreciation charge little changed from this year's before the write-off.

Some analysts, who had expected lower ordinary depreciation charges next year, lowered their earnings estimates for 1989 in light of the news. Mr James Mason McCabe of Nomura Securities, for example, cut his to $2.50 a share from $2.75-$3. Overall, though, the write-off was "very positive," Mr McCabe said.

The charge consists of $5bn for the write-off of analogue circuit equipment, switches and transmission facilities, $600m for related equipment, $700m for removing the equipment over the next five years and $400m for related personnel costs.

Maxwell selling Macmillan units

By Roderick Oram in New York

MAXWELL Communication, the public company of Mr Robert Maxwell, the British publisher, has announced the sale of three units of Macmillan.

The move comes less than a month after Mr Maxwell told employees of the New York publishing house he had no intention of breaking it up.

The buyer is Kohlberg Kravis Roberts, the New York leveraged buyout specialist Mr Maxwell overcame in a bitter and protracted fight for control which he won early last month.

The day after Macmillan succumbed to Mr Maxwell's $2.7bn offer he sent a two-page memo to the group's employees worldwide saying it is "not our intention to break up or in any way reduce Macmillan." He added: "I am committed to continue its growth as a leading publishing and communications company."

Mr William Reilly, Macmillan's president and chief operating officer, said yesterday that employees had understood all along that only the core publishing and Berlitz language school businesses would be retained. The units to be sold were peripheral.

No further disposals were planned now, and any chosen later would be "small units not related to the mainstream."

For a total of $400m, KKR is buying Macmillan Book Clubs, Gryphon Editions and Intertec Publishing from the Macmillan group and Webb Publishing from Maxwell Communication.

The first two are direct marketing businesses for books and the second two publish controlled circulation trade magazines. Macmillan gave no figures for their size.

San Diego Gas accepts $2.5bn merger proposal

By Anatole Kaletsky in New York

SAN DIEGO Gas & Electric has accepted a slightly improved merger offer, worth more than $2.5bn, from SCEcorp, another southern California utility company. The combination would create the largest privately-owned utility business in the US, with $17bn of assets, 4.7m customers and annual revenues of around $8bn.

San Diego's acceptance of the SCEcorp offer came after four months of negotiations, occasionally acrimonious, which led to the break up of an earlier $1.7bn merger deal between San Diego and Tucson Electric Power Company in Arizona.

The clinching factor appeared to be an increase announced last week in SCEcorp's all-share offer. SCEcorp said last week that it would swap 1.3 of its own shares for each share in San Diego, compared with the swap ratio of 1.225 it offered previously.

In addition, SCEcorp has offered to increase by 20 per cent the dividends on $155m of San Diego preferred stock, which it will also exchange.

SCEcorp shares traded at lunchtime yesterday at $32⅝, down $¾ from their closing value on Wednesday, before the announcement of the merger deal, which was signed after the end of Wall Street trading.

Yesterday's market price put a per-share value of $42.41 on the offer for San Diego. San Diego's shares moved down yesterday by $¼ to $39¼.

To finance the acquisition, SCEcorp said it would issue 72.7m new shares, bringing to 289.8m its total shares outstanding. Analysts said, however, that they expected no significant dilution of earnings as a result of the merger.

In its last full year, SCEcorp had net earnings of $788.6m, or $3.39 a share, on revenues of $5.49bn, while San Diego earned $196.8m, or $3.28 a share. The companies said they expected to eliminate $100m in annual operating costs and save about $350m in capital spending by joining forces.

The main attraction of the merger for both parties was their complementary supply and demand situation. San Diego serves an area with very rapidly growing population and is already short of generating capacity.

SCEcorp, whose original name was Southern California Edison, serves most of Los Angeles county and its environs, though not the city of Los Angeles itself. The area's population is growing more slowly than San Diego's and SCEcorp has substantial excess generating capacity and sells electricity to other utilities.

After the merger, California will be left with only three substantial utility companies – the newly combined southern California group, the city-owned Los Angeles system, and Pacific Gas & Electric, the San Francisco-based company which is at present the largest private utility in the US.

Early advance at Litton

By Our Financial Staff

LITTON INDUSTRIES, the West Coast defence and electronics group, lifted net income in the first quarter.

The results reflected improved profits at both its advanced electronics and its marine engineering and production divisions.

At the end of the last fiscal year the group said its backlog had reached a year-end record which would assure further business growth.

Net income for the first quarter rose to $43.6m or $1.69 a share, from $40.6m or $1.51 last year. Sales were $1.23bn, against $1.2bn.

The advanced electronics side, which takes in electronic warfare systems and navigational systems, took operating profit to $43.1m from $39.5m.

Canadian Imperial Bank shows sharp rise

By David Owen in Toronto

CANADIAN Imperial Bank of Commerce, the country's second largest chartered bank, yesterday reported substantially improved fourth-quarter earnings due partly to recoveries of loan loss provisions.

In the latest period, the Toronto-based bank earned C$174m (US$147m) or 96 cents a share, compared with C$109.4m or 64 cents a share.

This pushed net income for the year ended October 31 to a record C$591m or C$3.34 a share, against a C$18m loss in 1987. The year ago figure includes a special provision of C$450m related to a hefty hike in the bank's reserves to troubled Third World countries.

Excluding the provision, full-year earnings climbed 37 per cent from a year ago.

Fourth quarter figures take account of the recovery of C$124m in loan loss provisions following the successful completion of the takeover of Dome Petroleum, the beleaguered Calgary energy company, by Amoco Canada.

During the year, the bank reduced its Third World loan exposure by C$1.2bn through sales and swaps, including the exchange of C$372m in loans to Mexico for Mexican government bonds backed by US Treasury securities.

Losses on these transactions, including the amount required to raise country risk provisions to 45 per cent of exposure, totalled C$203m.

The bank's LDC loan portfolio now stands at C$1.96bn, against which a provision of C$880m is carried. Its net exposure to LDC debt at the fiscal year-end was 27 per cent of common equity, against 53 per cent in 1987.

The bank has now set aside an additional prudential provision of C$100m.

● Bombardier, Canada's leading heavy transport equipment and aerospace group, has improved performance. Third-quarter net profit was C$27.7m, or 43 cents, on sales of C$439m, up from C$25.2m, or 38 cents, on sales of C$345m.

At the nine-month stage net profit was C$69.8m or C$1.07 a share on sales of C$1.1bn, up from C$58.2m or 88 cents.

Baxter aims at overseas growth

Deborah Hargreaves on the leading US hospital supplier's plans

Baxter International, which has emerged from the last five turbulent years in the US health care industry as the country's major hospital supplier, has its eyes firmly set on overseas expansion.

The group has grown from a revenue base of $1.3bn just three years ago to a $7bn operation following an aggressive expansion policy involving a merger with a company almost twice its size, American Hospital Supply. The merger was a result of the troubled health care industry in the US, and Baxter is applying the subsequent synergies to its international operations.

Baxter's long-term goal is to boost significantly its overseas division's earnings from the current 21 per cent slice of overall sales. However, given the different systems of healthcare in its five target countries – Japan, West Germany, France, the UK and Canada – the company relies heavily on strong local operations.

"Our challenge is to take our product portfolio and expand its sales outside the US," explains Mr Wilbur Gantz, Baxter president. "But that has got to be done by leveraging off our existing operations in those countries."

Baxter has established its strongest operation in the UK, where it is a major supplier to the National Health Service.

The failing health of many hospitals in the US has, however, pitched Baxter's domestic product-supply business into an intensely competitive environment. The company has been hurt this year by the difficulty in passing on rising raw materials costs to customers, and in the third quarter profits were down slightly on the same period last year.

However, Baxter is happy about the basic trends, and stresses that it sees its future in offering much more of a value-added service.

As a health care company, Baxter likes to strike a balance between its four main divisions, which include medical products, distribution and service, as well as a home care service for critically ill patients, and its overseas businesses.

But of these corporate sectors, distribution provides more than half of the company's revenues and has grown steadily since the 1985 merger with American Hospital.

"We ended up with 65 per cent of the products a hospital needs," says Mr Gantz. He points out that this in turn gave the group the opportunity to offer hospitals long-term contracts through which they could also provide a consulting service on how institutions could improve storage and product management.

"We're pushing the partnership concept... that we can work together on cost-cutting," explains Mr Gantz.

An average hospital, for example, spends 20 per cent of its budget on medical products and another 20 per cent on managing that material, so Baxter has the potential to help cut costs over a sizeable portion of the hospital budget. An electronic data network links Baxter with its customers and there is move towards just-in-time delivery.

In addition, hospitals are also trying to cut costs by moving as much care as they can outside the hospital, and Baxter is tapping the market created by this policy. The company's acquisition in 1986 of a company called Caremark doubled its home-care operation, which it sees growing rapidly in coming years.

The company provides nurses and equipment for home-car patients and its own pharmacists and supply vans. In this way, it provides intravenous feeding facilities and antibiotic therapy for home-based patients, many of whom are suffering from AIDs-related diseases.

These efforts are backed up by a strong commitment to research and development, and the company plans to spend $1bn on research over the next four years.

Baxter was a pioneer in kidney dialysis technology, an area which is extremely important in its push into the Japanese market, where kidney problems are high. It has recently developed a computer-controlled, movable intravenous feeding unit and is working on research into artificial blood.

However, the company has faced production problems with some of its older products. In addition, it has not been able to keep up with demand for several products, such as plasma solutions. This, accompanied with rising raw materials costs which the company must bear because most of its sales are through long-term contracts, has depressed earnings this year, according to Mr Jerry Fuller, analyst at Duff and Phelps, the Chicago investment firm.

Baxter has missed an earnings estimate of $1.50 per share for this year after third-quarter earnings fell 6 per cent against the same period last year. This has quenched enthusiasm for the company stock, which has tumbled to $16 from a high this year of $29.

But Mr Fuller puts the company's net income at $1.32 a share this year, which is still up from $1.14 for 1987. "As a $7bn-company that is trying to do a lot of things aggressively, you can't have perfect symmetry from quarter to quarter," stresses Mr Gantz. "But we feel good about the basic trends.

"We feel confident because we service an industry where people really want the product. The real issue is how can we help them fund it?" That's where his partnership plan comes in.

Holly weighs Tyson offer

By Our Financial Staff

HOLLY FARMS, the US poultry products group, is to consider within the next few days a new cash and stock merger proposal from Tyson Foods, its chief rival.

Tyson this week re-entered the protracted bid battle for Holly by making a "friendly" share and cash offer, valued at $57 a share. The offer is based on a two-step merger deal.

Tyson has also lifted its all-cash tender offer for Holly to $54 a share, or around $977m, from $52 a share.

Earlier this month Holly Farms, the nation's third largest poultry producer, announced a merger agreement with ConAgra, a diversified food processor. This deal, said to be worth around $55-58 a share, involves a share exchange, rather than cash.

A deal between Holly Farms and Tyson would lead to a consolidation of the US poultry industry, with the combined companies holding about one-third of the market.

Mr R. Lee Taylor, Holly Farms president, noted that the company had had a proposal from Tyson to increase its offer to $54 in cash at the time the board approved the deal with ConAgra.

On Wednesday Holly shares closed at $53, up $1.

Générale unit shake-up

By Our Financial Staff

SOCIETE GENERALE de Belgique, Belgium's largest holding company, is restructuring its interests in international trading in an attempt to restore its Générale Trading subsidiary to profit in 1989.

La Générale also said it proposed appointing Mr Jacques Rouayroux, a senior manager at its main shareholder, Compagnie Financière de Suez of France, as chief executive of Générale Trading.

The changes represent a further element in the attempt by Suez to reorganise La Générale's sprawling industrial empire following its victory earlier this year in its epic battle with Mr Carlo De Benedetti, the Italian entrepreneur, for control of the company.

La Générale last week announced rescue plans for its Gechem chemicals and FN Herstal arms units. It said yesterday that the trading unit would record a "significant" loss in 1988, but did not give figures.

In 1987, Générale Trading's consolidated results showed a loss of BFr386.6m ($10.6m).

Formerly called Laura & Vereeniging, the unit trades directly in non-ferrous metals and has subsidiaries dealing with minerals, tropical products and coal and oil.

Storehouse in French children's wear deal

By Maggie Urry

STOREHOUSE, the retail group headed by Sir Terence Conran, is buying Jacadi, a French designer and buyer of up-market childrenswear. Jacadi sells through a chain of 268 franchised shops, mostly in France, under the Espace Jacadi fascia.

Continental children (or their parents) are generally more style-conscious and better dressed than their British counterparts, but, Storehouse believes, the trend in the UK is towards better quality children's clothing.

The total purchase price will depend on future profits from the business and the cost of buying the French shops over the next few years. The initial consideration is likely to be £16.4m ($30.3m), depending on profits for 1988 which are estimated at £1.6m, with £10m payable on completion. The total price, to be paid by 1993, will not exceed £45m.

Mr Michael Julien, chief executive of Storehouse, said the deal was part of the group's strategy to build a portfolio of retail brands, and in particular international brands which could "travel" across continental European frontiers.

Last week Storehouse set up a speciality retailing division, which includes Mothercare, its Mothers' and babies' goods arm, Richards and Anonymous, two women's fashion chains, and Blazer, which sells men's clothes. Jacadi will fit into this division, and further acquisitions are possible.

Mr Julien said Jacadi, which was founded in 1980, had been looking for a minority investor and approached three companies. During discussions with Storehouse Jacadi's chief executive Mr Patrick Hamelle found the UK-based, but francophile, group *sympathique* and decided to join the Storehouse team.

Storehouse plans to build a chain of Jacadi shops in the UK. It already has about 15 per cent of the UK baby to 10-year-old market through BhS and Mothercare. The French childrenswear market is worth £2.4bn, a third more than the UK market.

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Power plant makers seek new partnerships

Nick Garnett looks at the pressures forcing an industry into widespread restructuring

The pace of change sweeping through the world's power station equipment makers has begun to accelerate in what is turning out to be one of the most comprehensive restructurings ever undertaken by a single industry.

In the past month, Asea Brown Boveri, the Swedish-Swiss electrical engineering giant, has announced that it is taking majority control of the industrial assets of Franco Tosi, the Italian manufacturer of steam turbines and boilers.

Framatome, the French nuclear power plant maker, said it was negotiating a big joint venture with Babcock & Wilcox of the US while Northern Engineering Industries, a UK maker of boilers, turbines and switchgear entered into merger discussions with Rolls-Royce, the aero engine maker.

At the same time, the formation of a joint venture in electronics and defence equipment between Siemens of West Germany and Britain's GEC has heightened speculation that this co-operation could eventually spill over into power engineering.

Ever since Asea and Brown Boveri merged their companies into Europe's biggest electrical engineering business last year, a rash of mergers and joint ventures has followed among equipment suppliers for big oil, coal-fired and nuclear stations.

A web of interlinking businesses is being formed in Europe with tentacles stretching out to US equipment makers; Japanese companies are likely to be sucked in soon. Those companies so far left out are desperately clawing to get partners.

Just about every major equipment maker, including Japan's Mitsubishi, General Electric of the US and GEC are seeking new partners and alliances. Others, such as Westinghouse in North America, ABB and Siemens have already started the process.

These moves have been fuelled by a number of pressures. These include worldwide factory overcapacity of 70 per cent, weak power station demand in mature markets and the approach of what might be a more open European market after 1992. An extra fillip has been the likelihood of a general switch in mature markets towards smaller so-called combined cycle gas turbine-powered stations which could leave some of the traditional manufacturers out in the cold.

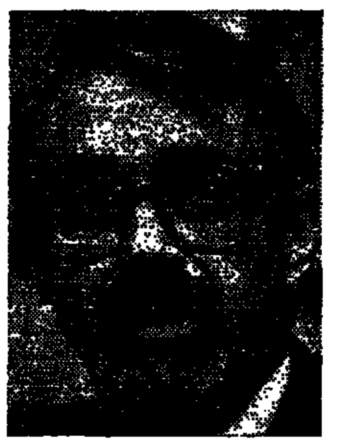
The tremors have been so severe that the whole structure on which the industry has been organised is crumbling at astonishing speed.

Manufacturers of electricity generation and distribution machinery have always had technology links. They also come together in fragile short-term alliances on individual power station building projects.

However, the 20 or so main companies have long been independent, operating out of protected domestic energy markets while fighting it out for export orders in Third World and emerging nations. Some of that independence is now dying by necessity.

The formation of ABB ignited it all. With sales of $18bn, it displaced General Electric as the world's largest power equipment supplier. Straddling Europe, its creation unsettled everyone else.

ABB has acted like a magnet for deals. Its policy has been to have production capacity in most of the main domestic European markets. If the power supply market does not open up in 1992 it still has a pretty big stake in many national markets but if Europe does open up it has the scale to rationalise and reduce costs.



Percy Barnevik: wants to partner the Japanese

After ABB was formed, it bought a minority stake in Franco Tosi before following that up with last month's deal, struck at a cost of about $300m. That deal has angered Italy's IRI-Finmeccanica, the state engineering concern which had wanted to merge its Ansaldo power equipment business with Franco Tosi. ABB has also bought three smaller Italian electrical equipment companies and a Spanish transformer company.

Elsewhere in Europe, ABB's West German subsidiary has pooled its nuclear reactor technology with Kraftwerk Union, Siemens' power station equipment division, and bought a steam turbine manufacturing plant in Germany from AEG.

Outside Europe it has lumped its North American power businesses into two big joint ventures with Westinghouse. Mr Percy Barnevik, ABB's chief executive, says that in Asia the group wants partnerships with the Japanese, rather than a battle. ABB is in talks with Mitsubishi.

The rest of Europe is struggling to stay with the pace. Alsthom of France, which has a long-standing switchgear joint venture with Britain's GEC, recently purchased ACEC in Belgium but there has been no further sign of movement from Alsthom.

Framatome had partnership talks with Westinghouse last year but these failed with Framatome complaining that the US group would not treat it as an equal. The French company, 40 per cent owned by the privatised *Compagnie Générale* d'Electricité, is already in a nuclear fuels joint venture with two other French companies and Babcock & Wilcox.

Discussions on a new deal with Babcock would take it right into the North American power plant market. Framatome, like ABB, is also in talks with Mitsubishi.

Siemens had discussions earlier this year with GE but these have produced nothing so far. Instead, GE is rumoured to be holding detailed talks with GEC on a set of wide-ranging agreements in power engineering. These two companies tend to compete in different geographic markets. A deal involving GEC, GE and Siemens cannot be ruled out.

If GEC signs up with a partner this would put some shape into the UK equipment supply industry where almost all attempts to rationalise in the past 10 years have foundered.

Instead, equipment companies have tended to be swallowed up by non-power businesses.

Babcock, a boiler maker (unconnected with Babcock of the US), was sold to electrical group FKI last year. FKI's attempts since then to sell the power equipment business part of Babcock to GEC and then to Westinghouse came to nothing. Five years ago, Hawker Siddeley, which makes power generation and distribution equipment, tried to absorb John Brown, the power station contractor and gas turbine maker. They could not agree terms and John Brown was absorbed by Trafalgar House, a diversified engineering, construction and leisure group.

NEI has recently tried to strengthen its technology and product range and maintain its independence by signing deals with Mitsubishi, first to make some of the Japanese company's switchgear, then to market its gas turbines.

This strategy was thrown into confusion last month when Rolls-Royce secretly took a small stake in NEI. The two companies are now discussing what kind of collaboration or merger R-R has in mind. The jet engine maker needs to get into new business areas. Its gas turbines – for which it now has a technology and marketing deal with ABB – are used in non-base-load power generation.

The move to smaller stations in the US and Europe might be much slower than some observers think. However, as with the large power station equipment market, it will intensify the worldwide battle for sales of gas turbines – the prime movers in cogeneration – among the six or so main world suppliers, led by GE.

ABB posts profits of $358m

By William Dullforce in Geneva

ASEA BROWN BOVERI, the electrical engineering group, yesterday reported a pre-tax profit of $358m for the first nine months of the year.

Consolidated sales amounted to $12.15bn. After adjusting for acquisitions and disinvestments, this figure was 17 per cent higher than the combined sales in the first three quarters of 1987 of the Swedish and Swiss companies which merged last January.

No profit comparisons are made, as no consolidated figures are available for 1987. At the 1988 half-way stage ABB posted pre-tax earnings of $229m on turnover of $8.5bn. Previously the group said the effects of its massive restructuring would emerge in the 1989 profits.

ABB received $13.1bn of orders valued in the first nine months of this year, leaving it with an order backlog at the end of September of $14.9bn.

During the third quarter ABB set up a joint venture with Siemens in high-temperature nuclear reactors, acquired the AEG group's steam turbine business and bought British Wheelset Manufacturers from British Steel.

Last month ABB reached an agreement to take control of the industrial operations of Franco Tosi, the Italian boiler and turbine manufacturer, in 1989.

After failing to negotiate a price, the two sides have agreed that it should be decided by an arbitration board. The Franco Tosi board will meet on December 15 to consider the deal.

BHF-Bank confident of good full-year results

By Our Financial Staff

BERLINER HANDELS- und Frankfurter Bank (BHF-Bank) increased its partial operating profits by 3.2 per cent in the first 10 months of 1988 to DM128m ($73.7m) from DM124m in the period last year.

The bank said the development of business in recent months makes it "confident" of being able to achieve good results for the full year.

In 1987, BHF-Bank's partial operating profit, which is interest and commission income less operating expenses, dropped 19.4 per cent to DM221m.

Interest income in the latest 10-month period soared 18 per cent to DM270m from DM228m a year earlier. Commission income dipped 3.6 per cent to DM133m from DM138m. Income from trading operations was slightly higher than in the previous year, due mainly to rising profit from the trading of foreign exchange and shares.

Meanwhile, operating expenses rose 13.2 per cent in January-October to DM275m from DM243m in the year-earlier period.

Business volume rose 14 per cent to DM22.7bn at the end of October 1988 from DM19.9bn on December 31, 1987.

The bank said its overseas banking subsidiaries are expecting "satisfactory" results.

However, the bank's overseas investment banking units, including BHF-Securities (Asia), expect losses due to high start-up costs.

Volmac launches fund

By Laura Raun in Amsterdam

VOLMAC, the rapidly growing Dutch software house, has launched a venture capital fund with the aim of creating a global network of computer software companies.

The new fund, named World Software Group, plans to acquire strategic stakes in software companies around the world as its parent company has already done.

The software industry is marked by increasing internationalisation as the need for economies of scale becomes greater.

Volmac Holding, which owns the 30 per cent of Volmac Software not listed on the Amsterdam Bourse, has provided the Fl 700m ($358m) in start-up capital for the fund. World Software Group hopes to attract more capital from institutional and industrial investors in the Netherlands and abroad.

The new fund will rely on Volmac software for expertise and know-how and will own 19 per cent of that software house, which will have rights to World Software Group's profits.

More than Fl 600m of the fund has already been invested through Volmac Software. Stakes have been acquired in Cap Gemini of France, Sema Group of France and the UK, and Worldwide Computer Services and Computer Task Group of the US.

INTERNATIONAL COMPANIES AND FINANCE

CSR sheds its unloved reputation

Chris Sherwell on growth by one of Australia's biggest companies

MR IAN BURGESS can scarcely conceal his pleased amazement at the good fortune which has embraced CSR, one of Australia's largest companies. In less than two years, mostly under his guidance, it has undergone a transformation more rapid, more dramatic and more profitable than he ever thought possible.

Gone are most of the costly resource assets which gave the group its unfortunate reputation among jaundiced investors and analysts in the early 1980s. Under Mr Burgess as managing director, CSR has sold out of oil, gas, coal, tin and gold, realising A$2bn (US$1.4bn) in the process.

It has spent the same amount on investments at home and abroad, mostly in building materials – now the group's principal line of business – but also in expansion of its traditional sugar interests where CSR started in 1855, and its attractive aluminium assets.

The overall result is that CSR is now estimated to be the world's ninth largest building materials company, and has joined Pacific Dunlop, BTR Nylex and Boral as one of Australia's few real industrial darlings.

Earlier this month, Mr Burgess announced record after-tax profits of A$147m for the half-year to September, with all divisions showing improvements.

Analysts are now revising their predictions for the full year, with some forecasting a push through the A$300m mark – almost double the level of just two years earlier.

Today the group lists its shares in London. It is already quoted in Australia and New Zealand, and is traded in American depositary receipt form over-the-counter in the US.

Ian Burgess: generating so much cash from businesses

The move is not in preparation for an equity issue or placement in Europe. "This is a long-haul thing," according to Mr Burgess. "We don't need any fresh capital. In fact we're generating so much cash from our present businesses that we have to decide what to do with it."

The group has already made a start on one option, which is to give more back to the shareholders through increased dividends. The big issue now is whether to make another large acquisition. Even a A$1.5bn purchase would leave the group with a conservative gearing of 35 per cent.

Mr Burgess is reluctant to let any fresh opportunity pass, but his preference is to spend time settling things down after the intense efforts of the past two years. On the asset sales side, the highlights have been the disposal of the Delhi Petroleum interests to Esso Australia for A$984m, and of a clutch of coal interests to various buyers for a total of about A$470m.

On the purchases side major developments have come in the US, Europe and Australia. The most significant was the A$600m acquisition in May of Rinker Materials in Florida. Coming on top of the US purchases of Southern Aggregates, Krome Aggregates and Mack Industries in 1987, CSR now has more quarrying assets in the US than in Australia.

In Europe CSR has linked up with Redland of the UK to create a joint plasterboard venture in which it has a 49 per cent stake. This is importing plasterboard to Britain from an associate's factories in Norway and the Netherlands pending completion of a plant in Bristol.

So pleased is CSR with progress that the joint venture has decided to build a second factory. At the same time it has taken in the UK operations of the Synkoloid plasterboard company in Canada, acquired by CSR in late 1987 to expand its international presence in the sector.

The CSR-Redland link is also being recreated in mirror-image form in Australia, where a joint brick and tile venture has just been established in which CSR has 51 per cent. The next step is to rationalise its brick interests, and lift them to the number one standing enjoyed by its plasterboard, insulation and timber interests.

The group has undoubtedly gained from the upheaval of the local building products industry, but it now sees limited scope for domestic expansion against tough competitors like Boral and Pioneer Concrete. Abroad, any further moves in Europe will be by CSR itself, but Mr Burgess says there is no question of a move on Redland or even a merger. In the US it is keenly interested in Georgia Marble.

If the longer-term future for CSR is clearly in building products, now contributing half its profits, what is the outlook for its sugar and aluminium interests? Mr Burgess has been lucky that his restructuring has coincided with strong prices for both commodities. But they may not last.

In sugar, the big challenge lies in the deregulation of the Australian market next year. Analysts think CSR will profit strongly from the change, and that this will keep sugar within the group. In any case Mr Burgess is committed to it. "We have an obligation to where the company started," he says.

Regarding the group's 70 per cent interest in Gove Aluminium, however, he acknowledges that this is a "fair-weather asset" which might be sold one day under the right conditions.

The most important question about Mr Burgess and CSR is whether the remarkable improvements can be kept going. No one doubts the quality of the transformation he and his dozen key executives have wrought over the past two years. But after being given an identity and a direction – and disposed of its worst assets – this old but new Australian company must now manage its strength. That could be far more tricky.

Telecom issue price is HK$4.55

By John Elliott in Hong Kong

THE long-awaited HK$4bn (US$512.8m) international placement and offer for sale of 877.5m shares by Hong Kong Telecommunications was formally unveiled yesterday.

The issue at HK$4.55 a share amounts to 7.9 per cent of HK Telecom's issued capital, and the price compares with HK$4.925 when trading was suspended on the Hong Kong exchange on Monday night.

The issue has been completely underwritten and a total of 550m of the 575m shares to be offered in Hong Kong – which also embraces the UK institutional market – have already been placed on a firm or provisional basis with institutions. Up to 105m of the 550m will be clawed back if needed to satisfy applications from the general public.

There is a public offer in the US of 202.5m shares, to be traded in New York as American depository shares, and an international offer of 100m shares for areas other than Hong Kong, the UK and US.

The sale price, which some brokers believe to be on the low side, was fixed last Monday when Hong Kong and other international markets were more depressed than they were yesterday. But Mr David Nendick, Monetary Secretary of the Hong Kong Government – which is providing half the shares on sale – said he was "pleased everything has gone so well."

Mr Peter Norris, director of Baring Brothers, the Government's financial adviser, said this was "not an occasion for a headstrong approach" on the price. "This is the largest ever such offering by a single Hong Kong company, and it is also the first such exercise since the crash and closing of the Hong Kong exchange in October last year."

The shares are being sold by Cable and Wireless of the UK and by the Hong Kong Government. The aim is to widen the company's local and overseas shareholder base in line with pledges made when HK Telecom was formed at the end of last year by a merger of Cable and Wireless's two operating subsidiaries in the colony. Those are Hong Kong Telephone, which runs domestic telephones, and Cable and Wireless (Hong Kong) which holds the franchise for international telecommunications links.

The sale will bring down the combined stake of Cable and Wireless (Far East) and its UK parent from 79 per cent to 75 per cent, and that of the Hong Hong Government from 11 per cent to 7 per cent. The general public stake goes up from 10 per cent to 18 per cent.

Trading in HK Telecom will resume this morning on the Hong Kong market. In the past two days the market has recovered some of the buoyancy it was showing last week, after two sluggish days on Monday and Tuesday.

Yesterday the Hang Seng index gained 8.73 points to close at 2,668.03, after a day's turnover of HK$1.17bn.

Brierley's IEL wins control of Woolworths

By Our Financial Staff

INDUSTRIAL EQUITY (IEL), Sir Ron Brierley's Sydney-based company, has gained control of Woolworths, the Australian retailer for which it launched a takeover bid 10 days ago.

Woolworths, which is unrelated to US or British store chains of the same name, was valued under the bid at some A$830m (US$726.5m).

IEL already held a controversial 42.5 per cent stake when it launched the offer. Market purchases took it to 53.5 per cent by yesterday, and Mr Rodney Price, IEL chief executive, said in response to questions: "That's game, set and match."

Earlier the company had accumulated its strong minority presence in Woolworths through the purchase of large shareholding blocks in Australia and New Zealand. Yesterday it bought a reported 24.9m Woolworths shares at around the A$3.65 bid price.

Nomura Securities tops profits league in Japan

By Stefan Wagstyl in Tokyo

NOMURA Securities, the world's biggest securities company, this year reported the biggest interim pre-tax profits of any Japanese company, confirming the growing dominance of the country's financial groups.

To underline the point, Sumitomo Bank took second place in the list, which had traditionally been dominated by industrial companies.

Nomura made Y211bn ($1.74bn) in the six months to September and Sumitomo Y195bn. Nippon Telegraph and Telephone in third place, and Matsushita Electric Industrial in eighth place were the only non-financial companies in the top 10.

Lower down the list, compiled by Nihon Keizai Shimbun, the leading economic newspaper, semiconductor makers shot up the league table. They included Toshiba and Hitachi, the electronics groups.

The biggest jump of all was recorded by Nippon Steel, which went from number 1,283 to 21, after turning around from loss to profit thanks to rationalisation and a rise in steel prices.

Hitachi net earnings up

By Our Financial Staff

HITACHI, the Japanese consumer electronics group, yesterday reported worldwide net profits up 52 per cent to Y84.9bn ($699m) in the six months to September, on sales which rose 12 per cent to Y3,117bn.

It revised upward its full-year forecast and now expects consolidated net profits of Y170bn – compared with an earlier estimate of Y160bn and the Y136.8bn outcome a year earlier.

First-half sales of computers, semiconductors and industrial machinery were brisk, especially in the domestic market, officials said.

Other positive factors were an increase in sales of higher value added products, as well as the lower prevailing interest rates which eased Hitachi's interest burden.

Sales of information and communication systems and electronic devices, Hitachi's largest line of business, rose by a fifth to Y991bn.

Consumer products were up a bare 1 per cent to a total of Y508bn.

COMPANY NOTICES

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Securities watchdog investigates futures

By Chris Sherwell in Sydney

THE NATIONAL Companies and Securities Commission, Australia's securities market watchdog, has added an investigation into trading on the Sydney Futures Exchange to its growing list of inquiries into controversial local business dealings.

The commission said yesterday the exchange and it had already conducted some investigations into the settlement of the September 10-year bond futures contract, and that it would now be conducting a private hearing.

The move, a customary tactic to establish whether an offence has occurred and if so to seek redress, coincides with other investigations into the affairs of Ariadne, the former vehicle of New Zealand's entrepreneur, Mr Bruce Judge, and the failed Perth merchant bank, Rothwells.

The commission has also said recently it was investigating several allegations of insider trading, including one involving a prominent Australian company. Regarding its hearing concerning the futures exchange, the commission said it would review certain aspects of trading in the futures and bond market around the date of settlement of the September 10-year contract.

Mr Henry Bosch, the commission's head, said the domestic and international reputation of the futures market could be "undermined unless a thorough investigation is undertaken by the commission."

For its part, the exchange was reluctant to impart additional information because of the sensitivity of the matter. One official played down its significance, calling it an "information-gathering exercise," which was not a legal proceeding.

The exchange also refused to comment on recently reported suggestions by market participants that there is a "well-organised cartel of major dealers," including at least one major Australian bank and a large US bank, involved in the manipulation of key bond futures contracts.

● Attempts by Mr Judge to regain control of Ariadne appeared to falter yesterday, when Magenta, a company he now heads, agreed to sell its recently acquired 19.9 per cent holding to a subsidiary of Essington, controlled by Mr Malcolm Edwards.

Essington already controls an 18.7 per cent stake in Ariadne, and Mr Edwards is on its board. Ariadne is currently undergoing a major restructuring after reporting enormous losses in the wake of last year's stock market crash.

Magenta acquired the 19.9 per cent stake from Mr Larry Adler's FAI Insurances, which sold it for A$84.6m ($74.2m), well above market price, subject to a number of complicated conditions. The latest deal is subject to the approval of Ariadne shareholders.

Eulabank raises $205m for loans provisions

By David Lascelles, Banking Editor

EULABANK, the London-based consortium bank specialising in Latin America, has raised an additional $205m in capital from its shareholders to enable it to increase its provisions against Third World loans.

The capital was raised in the form of non-cumulative irredeemable preferred stock (Nips) which is admissible as Tier 1 capital under the recent Basle agreement on bank capital standards.

Mr George Gunson, the bank's managing director, said yesterday he believed it was the first issue of its kind to be completed in the UK. Although Bank of Scotland has announced an issue, it has yet to go through.

Eulabank is owned by 11 banks in Europe and 11 in South America. Earlier this year it received a special $250m deposit from them to help it meet the provisions required by the Bank of England matrix. But this was only a temporary measure until more permanent capital could be arranged.

All but three shareholders have subscribed the new Nips, in proportion to their shareholdings. The other three have helped out by buying $115m of Eulabank's loans instead. The Nips is non-interest-bearing and undated. Mr Gunson said the issue has brought the bank's risk asset ratio up to 20 per cent, and enabled it to raise provisions to the equivalent of 28-29 per cent of the bank's exposure.

In connection with the issue, Eulabank said its profits after tax for the year ending September 30 would be £2.5m, compared with a small loss the year before.

Retail accounts dominate latest Eurobond issues

By Norma Cohen

EUROBONDS for retail accounts dominated the new issues calendar, with deals emerging in Antipodean currencies and Ecu, clearly aimed at the proverbial Belgian dentist.

But dealers noted somewhat cynically that while pockets of genuine retail demand do exist at this time of year, the Eurobond market's League Table day of reckoning is fast approaching, possibly prompting firms to bring issues to market in hopes of bolstering their standings.

By the most recent calculations, there is only about $8m in new issue volume between the sixth and 12th place firms, making the race to year-end very tight.

To be fair, all the deals brought yesterday appeared reasonably priced and in sectors for which real buyers exist. But dealers expect to see an increasing number of "targetted" issues for small pockets of investors between now and year-end.

The largest deal of the day was a five-year Ecu100m for Eurofima, the European rolling stock corporation. The issue, lead managed by CSFB, carries a coupon of 7⅝ per cent and is priced at 101⅛ for an effective yield of about 7.718 per cent. The securities closed just at the fees at less 1⅞ per cent.

INTERNATIONAL BONDS

Adding to the glut in the Ecu sector was an Ecu50m three-year deal for Crédit Local de France, the fundraising agency for local authorities. The issue, fungible with a previous Ecu150m deal, carries a coupon of 7⅝ per cent and is priced at 101, yielding about 7.70 per cent – nearly 30 basis points more than that of the existing issue. While the latest deal was lead managed by Crédit Commercial de France, the original deal was lead managed by Banque Paribas Capital Markets.

The Ecu sector is already carrying more paper than investors can absorb, but the new deals are probably prompted by the ample swap opportunities into floating-rate funds. Dealers estimated that Eurofima may have swapped into funds at up to 40 basis points under London interbank offered rates.

The Australian dollar sector saw yet another deal, this one a A$75m two-year deal for Toronto Dominion Bank's Cayman Island branch, lead managed by Salomon Brothers. It carries a coupon of 14⅝ per cent and is priced at 101.70 per cent to yield 65 basis points over Australian government bonds.

Also, Crédit Lyonnais Australia tapped the New Zealand dollar market, issuing via Hambros Bank a NZ$50m three-year bond. The issue carries a coupon of 14¼ per cent and is priced at 101⅝. While the New Zealand currency has not seen the rapid appreciation in recent weeks that has boosted its Australian counterpart, the country's declining budget deficit and inflation rate make its bonds attractive.

Among other sectors of the primary market, a new L100bn issue emerged for Olivetti International. The four-year deal, lead managed by Credito Italiano, carries a coupon of 11⅞ per cent and is priced at 101⅜.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IBJ Int. Ltd.(d)◆	50	9½	102	1998	2/1½	IBJ (Asia)
Nippon Zeon Co.♦	100	(4⅝)	100	1992	2¼/1½	Nomura Int.
Yukong Ltd.†◆	30	(a)	100	1996	50/20bp	Baring Brothers
AUSTRALIAN DOLLARS						
Toronto-Dominion Bk◆	75	14⅝	101.70	1991	1¼/⅞	Salomon Brothers
Issue increased:						
Skopbank (Cayman Is)(c)◆	75	14⅞	100.95	1989	1/⅝	Banque Paribas
NEW ZEALAND DOLLARS						
Cr. Lyonnais A'tralia◆	50	14¼	101⅝	1992	1½/1	Hambros Bank
D-MARKS						
Storebrand Finans★★◆	50	5½	100½	1991	1⅝/1	Commerzbank
SWISS FRANCS						
Province of Manitoba★★◆	100	4⅞	100½	1993	n/a	UBS
ECUs						
Cr. Local de France(b)◆	50	7⅝	101	1992	1⅝/1	CCF
Eurofima◆	100	7⅝	101⅛	1994	1⅞/1¼	CSFB
LIRE						
Olivetti Int.◆	100bn	11⅞	101⅜	1993	1⅝/1⅛	Credito Italiano

★★Private placement. ♦With equity warrants. ‡Floating rate note. ◆Final terms. a) Launched in Asia. Partly-paid. Minimum coupon 5¼%. Pays 10bp over 6m Libor first 5 years, 12½bp thereafter. Put and call after 5 years at 100. b) Fungible with Ecu150m issued in June. c) Increased from A$65m . d) Additional $50m on tap.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93¾	94⅛	+0⅝	+0¼	9.74
Amer. Brands 8⅞ 92	150	†95	95½	+0¼	+0⅜	10.47
A/S Eksportfinans 7¼ 92	150	93½	94⅛	+0¼	0	9.63
Bank Bk Fin 10¼ 89	200	†100⅝	101⅛	+0⅛	+0⅛	9.58
B.F.C.E. 7 92	150	†93⅛	93⅝	+0⅛	+0⅛	9.38
British Telecom 7⅝ 96	250	89⅛	89⅞	+0⅛	0	9.56
Cal.Natl.Telecom 8½ 93	160	†95¾	96¼	+0½	+0⅛	9.68
Canada 9 96	1000	98⅛	98⅝	+0⅛	−0¼	9.30
Canadian Pac 10¼ 93	100	†101½	102½	0	−0½	10.14
C.C.C.E 9¼ 95	300	98⅝	99	+0¼	+0⅛	9.53
C.N.C.A 9⅞ 93	150	†99½	100	+0⅜	+0⅜	6.43
Credit Lyonnais 9 91	200	99	99⅜	+0¼	+0⅜	9.41
Credit National 8¼ 93	200	95⅛	95⅝	+0¼	−0⅛	9.56
Credit National 7⅜ 92	100	93⅞	94⅜	+0¼	+0¼	9.45
Credit National 7¼ 91	150	94⅛	94½	+0¼	+0⅛	9.51
Dai-Ichi Kan 9⅝ 92	150	100⅞	100⅝	+0⅜	+0⅛	9.48
Denmark 7¼ 92	500	93⅛	93⅝	+0¼	+0¼	9.56
E.E.C. 7 91	100	93⅞	94⅜	+0¼	0	9.33
E.E.C. 7¼ 93	250	92⅝	93	+0¼	−0⅛	9.41
E.E.C. 8 90	350	97⅝	98⅛	+0⅛	0	9.30
E.I.B. 7⅝ 93	100	92½	93	+0⅛	−0¼	9.50
E.I.B. 9⅜ 97	150	†98⅝	99¼	+0⅛	−0¼	9.53
Elec.De France 9 98	200	96	96⅜	+0⅜	0	9.64
Finland 7⅞ 97	200	90⅛	90½	+0⅜	+0⅛	9.64
Finland 7½ 93	200	92⅜	92⅞	+0⅜	+0⅛	9.47
Finn.Exp.Cd. 8½ 92	200	96⅝	97⅛	0	0	9.62
Ford Motor Credit 8 91	250	96½	97	+0⅛	+0¼	9.60
Gen Elec Credit 10¼ 00	200	100	100⅝	0	−0⅛	10.21
Gen.Mtrs.Corp. 9⅛ 92	200	98⅜	98⅞	+0¼	−0¼	9.56
Halifax BS 9½ 93	200	†99⅛	99⅝	+0⅜	+0⅛	9.65
IBM Credit Corp. 8⅞ 91	250	98⅝	99¼	+0⅜	+0⅛	9.27
Italy 9 90	1000	99⅜	99⅞	+0⅞	+0⅛	9.20
Lib. Mutual Cap. 9⅛ 93	150	98⅛	98⅝	+0½	+0½	9.55
L.T.C.B of Japan 8 91	100	96⅛	96½	+0⅛	+0⅛	9.61
L.T.C.B. of Japan 8 97	200	90¼	90⅝	+0⅝	+0½	9.74
Mercds-Benz Cd. 8½ 95	100	†94½	95	+0¼	+0⅛	9.64
Metropolis Tokyo 9½ 93	200	100¼	100¾	+0⅜	+0¼	9.33
Morgan Guaranty Tst. 7 90	150	96⅝	97⅛	+0⅛	0	9.66
Norway 8¼ 93	500	97⅝	98⅛	+0¼	−0⅛	9.35
Pepsico Inc 7⅜ 93	200	†91⅜	91⅞	+0⅛	+0⅛	9.76
Portugal 8¼ 91	300	96¾	97¼	+0¼	+0¼	9.72
Prudential Crp. 8¾ 94	125	97⅜	98	+0⅜	+0⅝	9.29
Qantas Airways 10⅜ 95	140	103⅛	103⅝	+0⅛	0	9.64
Rep. of Italy 9½ 95	1000	99¾	100¼	+0⅜	0	9.50
Saskatchewan 10¼ 92	100	103½	104	+0¼	+0½	9.32
State Bk S Aust 9¼ 93	100	98½	99⅛	+0⅜	+0⅛	9.60
Sumitomo Bank 9⅝ 92	150	100	100½	+0⅜	0	9.52
Swed Exp Cred 7¼ 91	100	†94⅛	94⅝	+0¼	+0¼	9.46
Swed Exp Cred 10 92	100	†100½	101	+0⅛	−0⅛	9.70
Sweden 7 91	250	94⅛	94⅝	+0¼	+0⅛	9.32
Sweden 7 92	250	†93⅜	93⅞	+0⅜	+0¼	9.38
Sweden 8¼ 96	200	96	96½	+0⅞	+0⅛	9.47
Sweden 8½ 92	200	†97⅝	98⅛	+0¼	−0½	9.18
Victorian Rep 11⅝ 92	150	105⅜	105⅞	+0¼	−0⅛	9.57
World Bank 7 92	300	†93½	94	+0⅛	0	9.36
World Bank 9 97	300	97⅛	97⅝	+0⅜	0	9.44
Yasuda Trust Fin 8½ 93	100	95⅜	95¾	+0¼	0	9.74

Average price change... On day +0¼ on week +0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	102⅝	103	−0⅛	−0⅛	5.48
Avis Fin.SVS 5⅞ 92	100	101	101½	0	0	5.44
Bank of Tokyo 5¾ 93	100	100½	101	0	−0½	5.54
Central BK. Turkey 7 92	200	103½	103⅞	−0⅝	−0⅝	5.91
Commerzbank o/s. 5⅜ 93	300	101	101⅜	0	+0⅛	5.03
Degussa Int. 6⅛ 97	200	100⅞	101¼	+0⅛	0	6.00
E.I.B 5½ 98	150	95½	96⅛	0	+0⅛	6.10
E.I.B 6 97	300	99⅝	100	0	0	6.04
E.I.B. 6⅛ 96	300	100⅞	101¼	+0¼	−0¼	5.95
E.I.B. 6⅛ 97	400	99⅞	100⅜	+0⅛	−0⅛	6.10
E.I.B. 6⅞ 95	300	104¾	105¼	+0⅛	0	5.97
Euro.Coal&Steel 5⅞ 97	175	98⅝	99	0	−0⅜	6.07
Eurofima 6⅛ 96	100	101¼	101⅝	+0⅛	0	5.99
Elec De France 5¾ 97	300	98½	99	−0⅛	−0¼	5.93
Forsmark Krtg. 5⅛ 93	200	98⅞	98⅜	+0⅛	0	5.52
I.A.D.B. 6 97	200	99¼	99⅞	−0⅛	+0⅛	6.07
Japan Dev. Bk. 5⅝ 95	300	98⅝	99	+0⅛	−0⅝	5.60
Japan Finance 5¾ 97	100	97⅝	98	+0⅛	+0⅛	6.12
Ireland 6½ 97	300	100⅞	101⅛	+0⅜	−0⅛	6.32
Malaysia 6¼ 94	150	99¼	99⅞	+0¼	−0½	6.35
Nat. West BK. PLC 6 98	300	97⅞	98⅛	0	−0⅜	6.32
N.H.L. Finance 6¼ 95	200	†98½	99	0	0	6.48
Nippon Telg.&Tel. 6 95	400	101½	102⅛	+0¼	−0⅛	5.97
Oesters. Kontbk. 5 93	300	98½	99	−0⅛	0	5.34
Portugal 5⅜ 92	150	101⅛	101¾	0	+0¼	5.28
Portugal 6⅛ 95	150	102	102½	0	0	6.19
Privatbanken 5¼ 93	150	98⅛	98⅝	0	−0⅜	5.65
Royal Insurance 5½ 92	300	100¾	101⅛	−0⅜	−0⅛	5.20
Soc Cent Nuclear 7¼ 95	150	103⅛	103⅜	−0⅛	−0⅜	6.57
Turkey 6½ 95	500	97⅛	98	+0⅛	0	6.93
Westlb. Finance 5 93	200	†99	99¼	0	+0⅛	5.23
World BK. 6⅛ 97	600	100⅞	101⅜	+0¼	−0⅛	6.00

Average price change... On day +0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101½	−0⅛	−0⅛	4.80
Asfinag 5 03	100	†101½	102	+0⅛	+0⅜	4.83
B.F.C.E. 4½ 98	200	†98¾	99¼	+0¼	+0⅜	4.63
B.M.W.Fin.Neth. 5 13	150	†96½	96¾	+0¼	+0⅞	5.25
Britannia B/S. 4¼ 94	100	†97	97⅜	0	−0½	4.80
CIR. Int. W/W 3 93	125	†99⅜	100	0	+0⅜	3.03
Credit Lyonnais 4⅞ 00	100	†97½	98	0	−0½	5.01
E.I.B 4⅝ 98	150	†99½	99⅞	+0⅛	0	4.67
Fletcher Chall. 4⅞ 98	150	†96¼	96½	−0¼	−0¼	5.37
Kobe City 4⅝ 98	150	†98¼	98½	0	−0½	4.84
Leeds Perm. B/S. 4⅛ 93	200	†97½	98	+0⅛	−0¾	4.70
Malaysia 5¼ 98	100	†98	99	−0¼	−0¼	5.45
Maxwell Comm.Crp. 5 95	150	†100½	101	+0¼	−0¼	4.86
Nationwide Ang.B/S. 4 93	200	†96½	96¾	−0⅛	−0¼	4.84
Nippon Telg.&Tel.4¼ 95	200	†98¾	99	0	0	4.44
Oesters.Ktbk. 5 03	75	†100¼	100½	+0⅛	+0¼	4.96
Rep.National Bk. 4 93	150	†97	97½	0	+0¼	4.32
Thailand 4⅝ 95	200	†96	96¼	−0⅛	−0¼	5.33
World Bank 5 03	150	†101¼	101½	+0⅛	−0¼	4.86

Average price change... On day +0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅜	102⅝	+0⅛	−0¼	4.68
Belgium 4⅝ 94	45	98⅝	98⅞	+0⅛	−0¼	4.88
Canada 4⅛ 92	80	99⅛	99⅜	+0⅛	−0⅜	4.60
Elec.De France 5⅛ 94	20	101⅛	101⅜	+0¼	−0⅛	4.79
Ireland 5⅛ 93	30	100¼	100⅜	+0¼	0	4.99
Norway 5⅛ 95	50	101¼	101½	+0⅛	−0¼	4.86
Rep. of Italy 5¾ 92	150	103¼	103½	+0⅛	−0¼	4.59
Sweden 4⅝ 93	50	99½	99¾	+0¼	−0¼	4.71
World Bank 5⅛ 92	50	103⅛	103⅜	+0⅛	−0¼	4.54

Average price change... On day +0⅛ on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	97⅛	97⅝	0	−1¼	11.04
Alg. Bk. Ned. 5½ 92 FL	150	98¾	99⅝	0	−0¼	5.84
Alg. Bk. Ned. 5¾ 93 FL	200	98¾	99¼	0	+0⅛	6.01
Amro Bank 6¼ 92 FL	150	101	101⅝	0	0	5.85
Aust.Ind.Dev. 12⅞ 93A$	100	96⅝	97⅛	0	−0¼	13.78
Barc. Bk. 10¼ 97 £	250	94	94½	−0⅛	−2¼	11.29
Barclays Aus.13½ 91 A$	100	99½	100	−0⅛	+0¼	13.57
BP Capital 9¾ 93 £	100	94½	95	0	−1½	11.30
British Airways 10 98 £	100	91¾	92¼	−0⅛	−1⅝	11.43
Buhrmann-Tet. 6⅜ 93 FL	100	100⅜	100⅞	0	+0⅛	6.20
Comm.Bk.Aust. 12⅝ 93A$	100	96⅝	97⅛	+0⅛	+0⅛	13.46
Coop.Ctr.Rabo.6¼ 93 FL	100	100½	101⅛	0	+0⅝	6.03
Coop.Ctr.Rabo.6 92 FL	200	100⅜	100¾	0	+0⅝	5.83
Denmark 7¾ 92 ECU	100	†102¾	103¼	0	−0¼	6.65
Dixons 11 95 £	90	—	—	—	—	—
Deut.Bk.Aust 12¼ 95 A$	70	99⅛	99⅝	−0⅛	0	12.86
Eastman Kodak 13 90 A$	100	96⅞	97⅜	−0⅛	−0⅛	14.88
E.I.B. 7 96 LFr	100	*†98¼	99¼	0	−0¼	7.22
Elec.France 10¼ 95 C$	125	†99¼	99¾	+0¼	−0⅜	10.33
Euratom 7⅛ 97 ECU	145	96¼	96½	0	−0½	7.99
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†97½	98	+0⅛	0	10.51
Ford Cr.Can.10¾ 93 C$	100	†100	100½	+0¼	0	10.65
Gillette Can. 9⅝ 93 £	70	92⅛	92½	−0⅛	−2⅛	11.83
G.M.A.C. 9¾ 93 C$	150	†97¼	97¾	+0¼	0	10.45
G.M.A.C. 9¼ 92 C$	75	†95	96	0	0	10.84
G.M.A.C Aus.Fin.14 90 A$	50	99¾	100¼	+0⅞	+0½	13.84
Halifax BS 10⅛ 97 £	100	94½	95	−0⅛	−1½	11.37
Imp Chem Inds 10 03 £	100	94	94⅝	−0⅛	−0⅞	10.81
Inv.Industry Int.10 93 £	60	95	95⅜	−0⅛	−1½	11.44
Lloyds Bank 10¼ 98 £	150	92½	93	−0¼	−1⅞	11.54
Montreal Tst.10¼ 93 C$	100	†99⅛	99⅝	+0¼	−0⅛	10.89
Nat. West.Bk.13⅛ 92 A$	50	†99⅝	99⅞	−0¼	+0⅜	13.24
Nationwide BS 10⅛ 93 £	75	94¾	95¼	−0⅜	−1½	11.62
Ned.Midd.Bank 6 92 FL	150	100	100½	0	+0¼	5.90
New Zealand 9½ 93 £	100	93¼	93¾	−0¼	−1½	11.42
New Zealand 7⅛ 93 ECU	200	100⅝	101⅛	+0⅛	+0⅛	7.49
Oesters.Ktbk.13⅝ 94 A$	75	100¾	101⅜	−0⅜	−0¼	13.32
Philips Gleoil. 6 93 FL	300	100⅜	100⅞	0	+0⅛	5.83
Prudential Fin.9⅝ 07 £	150	88⅝	89⅛	−0¼	−0⅜	10.77
Royal Bk.Scot.10⅝ 98 £	125	94⅜	95	0	−1¼	11.63
Saskatchewan 9⅞ 91 C$	150	†98	98½	+0¼	+0⅜	10.62
S.D.R. 7¾ 95 ECU	90	†99⅝	100⅛	0	−0⅛	7.76
World Bank 5¾ 92 FL	100	99⅝	100⅛	0	0	5.78
World Bank 13⅜ 92 A$	100	†100	100½	0	+0¼	13.21
Zentrspk. 13¼ 93 A$	75	98½	99⅛	+0⅛	+0¼	13.58

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.67	99.72	21/01	10.99
Belgium 91 US	0	100.16	100.26	21/02	9
Britannia 5 93 £	0⅛	99.91	99.96	10/01	12.12
Chase Manhattan Crp.91 US	0⅛	99.52	99.70	22/02	8.94
Citicorp 98 US	†0¼	97.37	97.62	30/11	8.94
Credit Foncier 98 US	.063	99.64	99.74	20/10	5¼
EEC 3 92 DM	†0	101.03	101.13	22/02	5.63
Halifax BS 94 £	.1	99.82	99.87	8/02	12.29
Invt. In Industry 94 £	0	99.97	100.06	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.02	100.07	13/01	10.44
Midland Bank 01 £	.1	96.25	97.12	11/02	11.41
Milk Mkt.Brd. 5 93 £	0⅛	99.94	99.99	30/12	12.06
New Zealand 5 97 £	.07	100.08	100.18	20/02	12.16
New Zealand 5 01 US	0	99.82	99.92	4/02	8.62
State Bk. Nsw. 98 US	.188	100.29	100.39	13/02	8.87
Woolwich Equit.BS. 93 £	0⅛	99.92	99.98	13/01	12.12
Woolwich 5 95 £	0⅛	99.80	99.84	21/02	12.37

Average price change... On day +0.01 on week −0.03

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	101¾	102¾	+0⅛	19.61
Alco Health 6¼ 01 US	†7/86	26.25	105½	107½	0	−1.49
Amer. Brands 7¼ 02 US	†9/87	56.7	106	107	+0½	6.16
Ashikaga Bank 2⅛ 02 US	4/87	967.	150⅛	151⅝	+0⅝	7.70
Asics 5 92 DM	12/83	472.7	209¼	210¼	+4⅞	5.07
CBS. Inc. 5 02 US	†4/87	200.	91¼	92¼	+0⅝	7.54
Fujitsu 3 99 US	5/84	1106.	251⅜	252⅜	−6¼	−3.83
Land Secs. 6¾ 02 £	6/87	6.72	98¼	99¼	0	12.52
MCA Inc 5½ 02 US	9/87	69.62	80⅛	81⅛	+0½	26.15
Minolta Camera 2¼ 94 DM	2/86	1004.	97⅛	98⅛	0	20.86
Mitsubishi Bk.1¾ 02 US	9/87	3157.	138⅞	140⅝	+1	5.80
Mitsui Trust 2⅛ 01 US	10/86	1903.	142½	143¼	+0⅛	4.88
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	115⅛	116⅛	+0⅜	13.61
Omron Tateisi 2⅜ 02 US	4/87	1310.	213	214½	−1¼	−1.37
Primerica 5½ 02 US	4/87	66.75	64½	65½	+0⅜	51.55
Ranks Hovis 4¾ 03 £	†1/88	3.5	108½	109½	−0⅛	7.46
Redland 7¼ 02 £	1/87	5.4	90⅞	91⅞	−0¼	19.47
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	98	99	−0⅛	29.28
Texas Inst. 2¾ 02 US	9/87	82.87	71¼	72¼	+0¼	66.60
W.R. Grace 6¼ 02 US	9/87	42.12	80⅞	81⅞	+0¼	34.43

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Japanese CP poised for takeoff

Stefan Wagstyl looks at the market's growth, boosted by zaitech

Japan's fast-growing commercial paper market, which plays a key part in *zaitech* – Japanese-style corporate financial investment – is to get a boost from the authorities.

The number of companies permitted to issue paper is to be increased later this month from 200 to 450, according to measures announced yesterday by the Japanese Ministry of Finance. The ministry is also expected to double to 120 the number of top-tier groups allowed to issue paper without a back-up credit line.

Dealers believe the measures will give a kick to a market which has already expanded much faster than expected. The outstanding balance in the market on Wednesday, the last day of November, was just under Y8,000bn ($65.7bn), compared with forecasts of about Y3,000bn made when the market was launched a year ago.

Now, the Long Term Credit Bank, Japan's largest CP underwriter, says the market could grow to Y20,000bn in two or three years. Mr Katsufumi Ochi, a deputy general manager at the bank, says: "The market has moved far faster than we projected a year ago."

The reason is *zaitech*, the business of investing corporate funds in financial markets. *Zaitech* got a bad name last year after *Tateho Chemical*, a chemicals company, had to be rescued by its bankers when it suffered big losses in bond futures. Later, there were fears that companies were making reckless speculative investments in the heady pre-crash stock market – often with borrowed funds.

The bulk of *zaitech* was always concerned with making relatively safe investments in the money markets. Companies exploited their high creditworthiness to raise funds cheaply in one market and re-invest them in another where yields were higher.

The safety first policy was reinforced by the plunge in equities last October. This set the scene for the CP market, launched in the doom-laden atmosphere of November. As banks and securities companies swung into action, they offered cut-price rates to companies to tempt them into using the new market.

Companies jumped at the chance to make risk-free returns of nearly to 0.5 per cent. They were able to issue *paper at 4.0-3.9 per cent and* put the money on deposit at 4.4 per cent.

Even though banks can raise funds even more cheaply in the tightly regulated and exclusive interbank market, some underwriters were losing money in the early days of CP. "They were called harakiri issues," says Mr Ochi at LTCB.

Securities companies were particularly tightly squeezed because they could hope to win business only from those top-tier companies which did not need a back-up credit line from a bank to issue paper.

Since then, underwriters have been forced to pay more attention to margin than market share and the returns available to the Zaitech players have shrunk to 0.1-0.2 per cent.

But this is still attractive enough to the issuers. Dealers estimate that some 70 per cent of the issues raise money for *zaitech*. Among the largest issuers are companies which were previously among the most aggressive *zaitech* investors in the securities and money markets

Mr Ochi says that *zaitech* would continue to play an important part in the market as long as there is a margin between interest rates in the CP market and on bank deposits.

However, as the number of companies permitted to use the market grows, so CP could become a more popular source of commercial funding, reducing the *zaitech* element to perhaps 50 per cent. The use of CP could also spread for another reason. *In order to meet* new international standards for capital adequacy, banks have to raise the proportion of capital to total assets. CP might be a flexible way of reducing loan books because, unlike short-term bank loans, it can be sold by the bank to an investing institution.

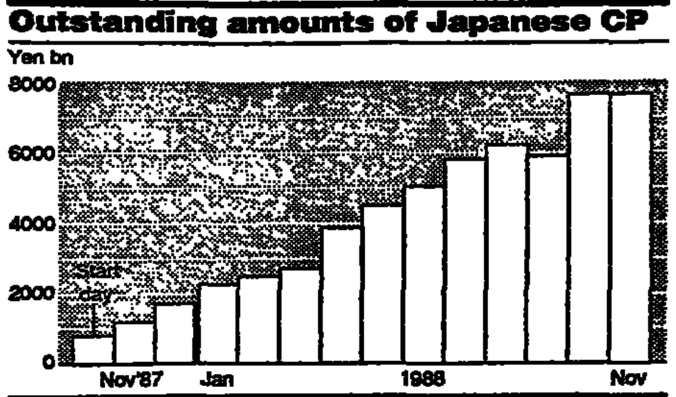
The secondary market *in CP* has already developed, although it is small in relation to the total amount of paper outstanding. About Y2,000bn of the total of just under Y8bn is estimated to have changed hands at least once since it was issued.

However, the secondary market could get a big boost when the Bank of Japan starts operating in the market as it has promised to. Buying and selling by the central bank might easily encourage holders to trade more often.

Whatever happens, competition between underwriters is *likely to remain tough. It is the* first time that Japanese banks and securities companies have been permitted to compete with each other head-on in a domestic market. So far the banks are the clear winners, with the securities companies' share of the action falling *recently below 20 per cent.*

But the securities companies, led by Nikko Securities, the most active CP underwriter, complain that they are being forced to fight with one hand tied behind their backs. The extension of the number of companies allowed to issue paper without bank credit lines should shift the ground a little in favour of the stockbrokers.

Outstanding amounts of Japanese CP



BIS says bank financing likely to remain strong

By Stephen Fidler, Euromarkets Correspondent

BUOYANCY in international securities markets and a slow-down in new bank lending probably do not imply a resumption in the trend towards disintermediation – the marked shift from bank to securities financing evident internationally in the years to 1987, according to the Bank for International Settlements.

This is the conclusion of the latest BIS quarterly report on international banking and financial market developments, published today.

Despite the revival in bond issuance, international bank lending during 1987 and in the first half of 1988 still accounted for the major part of total credit flows.

In the near future, the report said several factors will continue to support continued bank intermediation:

● Bank loans remain the most obvious substitute for floating-rate notes, a sector which has never fully recovered from the market disruption at the end of 1986.

● Longer-term economic uncertainties have led to a greater use of the international banking markets to hedge foreign exchange and interest rate positions. In this respect, bank and bond financing have come to play an increasingly complementary role.

● International banks will probably continue to play a prominent role in backing mergers and acquisitions.

● The renewed activity in the Eurobond market "has been concentrated in large measure on special and potentially volatile sectors, such as equity-related issues targetted at particular investors."

Rival French futures in fresh battle

By George Graham in Paris

FRANCE'S rival futures markets, already at loggerheads with their competing stock index futures, have engaged in a new battle over a contract based on five-year Treasury bills.

OMF, the screen-based market originated in Sweden and backed by five of France's largest banks, was the first to seek approval from the futures market regulatory authorities for a contract based on the five-year BTAN annual coupon bills.

The older established Matif market, which operates on an open outcry system in the stock exchange building in Paris, immediately followed suit with proposals for a similar BTAN contract.

When the Matif and OMF were seeking official authorisation this summer for their *stock index future contracts*, the Government let both go ahead and allowed the market to decide the winner.

For the BTAN future, however, Paris bankers believe only one contract can be allowed to go ahead.

The cash market in BTANs, with FFr258bn ($43.3bn) in issue and daily volume of around FFr5bn, is substantial. There is also a large, though illiquid, market in BTAN options. The future, nevertheless, is a product likely to introduce only a relatively small number of bank treasurers, and there is unlikely to be room for two contracts in the market place, as there appears to be for stock index futures.

In the second place, the rival contracts are almost identical, whereas the stock index contracts are at least based on different indices, allowing arbitrage between the two.

Thirdly, the French Treasury is anxious to avoid another flop for a contract based on its own debt, like the barely traded Matif three-month Treasury bill contract. It is therefore expected to approve only one contract.

Some bankers feel that the rivalry between the Matif and OMF has gone too far, and hope the two will reach agreement.

French bond issues rise above borrowing target

By George Graham in Paris, Katharine Campbell and Norma Cohen in London and Roderick Oram in New York

THE FRENCH Treasury yesterday sold FFr9.3bn of government bonds at its regular monthly auction, with rates remaining stable.

The auction takes total bond issues for this year to FFr116.2bn, above the total state borrowing target of FFr90bn to FFr110bn. The FFr9bn served was at the top end of the bracket of FFr7bn to FFr9bn announced for the auction, with an additional FFr316m served in non-competitive bids from primary dealers and central banks.

Interest focused mainly on the OAT 8.7 per cent 1995, with FFr3.9bn served in the auction. Another FFr223m was taken up in non-competitive bids at the weighted average yield of 8.55 per cent, just 1 basis point higher than at the last auction of this bond two months ago.

The Treasury also sold FFr2.5bn of the OAT 8.5 per cent 2012 at an average yield of 9.16 per cent, and FFr2.6bn of the floating rate TRB 1993, at a margin of 8 basis points above the average yield of the weekly Treasury bill auction, with a further FFr93m in non-competitive bids.

JAPANESE government bonds rallied in Tokyo yesterday, with yields on the No 105 benchmark bond closing roughly 5 basis points up, yielding 4.51 per cent. Traders ascribed the rally both to receding fears of a US discount rate rise and to pessimism as to the durability of the agreement by the Organisation of Petroleum Exporting Countries to prop up prices.

Some dealers were taking profits on short-term holdings of yen bonds, picking up a generous 450 basis point spread by switching into US Treasuries.

Speculation as to when the No 111 bond will become the benchmark was rife on Wednesday, when turnover in the issue was roughly half the Y2,000bn volume seen in the No 105s. Turnover yesterday in the 111s slipped to about Y662bn, while volume in the No 105 remained constant. Subsequent trading in London was lacklustre and yields on the benchmark closed unchanged on Tokyo.

GERMAN government bonds opened strongly, mainly on the back of the New York market, but ran out of steam by the afternoon. Government bonds, or Bunds, ended up to 15 basis points higher thanks to support from the futures market in London, but the medium-term notes or Bundesobligationen, closed about unchanged. The Bundesbank was said to have sold some DM255m of paper, including about DM100m of the medium-term notes. The central bank is performing US-style repurchase agreements today over 33 and 61 days. Some DM13.6bn of 30-*day repurchase agreements are* expiring.

GOVERNMENT BONDS

UK GOVERNMENT bonds closed mixed, with long-term prices falling as much as ¼ points and short-term rates posting small gains.

In short, dealers said, the disparate performance of the two sectors reflects a series of yield curve switches as investors in the longer end decided that rates there have fallen about as far as they can go. Earlier this week, some investors had moved out along the yield curve, believing that the UK Treasury's tough anti-inflationary stance would help interest rates to come down in years ahead.

WALL STREET bond markets drifted unchanged yesterday while investors and traders waited for this morning's release of US employment data for November.

Investors are hoping the data will help settle the debate in the market over whether the Federal Reserve will tighten monetary policy

The markets are expecting the data to show the creation of some 210,000 to 250,000 jobs last month which would leave the US unemployment unchanged at 5.3 per cent.

Prices were unmoved by publication yesterday of the latest index of leading economic indicators, which showed a 0.1 per cent rise in October from a month earlier, in line with forecasts. Five of nine components of the index fell.

The market took no comfort from the downward revision of September's figure to a 0.3 per cent fall from 0.1 per cent, indicating a slight slowdown in US economic activity. The figures are too uncertain, however, to give any firm trend.

By early afternoon, the price of the Treasury's benchmark 30-year bond stood at 99ⁱ⁄₃₂, yielding 9.05 per cent, off ⅛ of a point from the opening.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-18	+0/32	11.00	10.47	10.07
		8.750	9/97	91-22	+5/32	10.21	9.93	9.56
		9.000	10/08	97-24	-9/32	9.25	9.11	8.96
US TREASURY		8.875	11/98	98-29	+4/32	9.04	9.11	9.04
		9.000	11/18	99-18	+8/32	9.06	9.14	9.14
JAPAN	No 105	5.000	12/97	103.1185	+0.363	4.51	4.53	4.65
	No 2	5.700	3/07	108.6759	+0.422	4.79	4.82	4.90
GERMANY		6.750	8/98	102.3250	+0.125	6.44	6.40	6.29
FRANCE	BTAN	8.000	10/93	97.9377	+0.057	8.52	8.56	8.37
	OAT	9.500	5/98	104.8000	+0.075	8.71	8.77	8.60
CANADA		10.250	12/98	101.2500	+0.250	10.06	10.09	9.81
NETHERLANDS		6.7500	10/98	102.1000	+0.020	6.53	6.46	6.33
AUSTRALIA		12.500	1/98	99.7691	-0.426	12.53	12.27	11.90

London closing, *denotes New York morning session
Month ago yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No. (Thursday December 1 1988)	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Nov 30 Index No.	Tue Nov 29 Index No.	Mon Nov 28 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	777.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	954.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	1473.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (11)	2340.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	1721.89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (55)	409.27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	471.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	268.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	1309.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	1028.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	1130.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	924.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	2008.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	1793.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	1365.66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	528.99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	3296.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	693.71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	460.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	891.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	1031.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	1004.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	1252.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	1876.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	997.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (25)	1176.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	939.98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	1701.67	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	1004.68	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (124)	683.57	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	674.51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	921.48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	503.98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	983.21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	321.95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (52)	1279.48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	356.93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (76)	913.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	540.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	1351.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (710)	925.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	1778.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thu Dec 1	Day's change %	Wed Nov 30	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	118.41	-0.05	118.47	–	[illegible]
2 5-15 years	134.51	[illegible]	134.52	–	[illegible]
3 Over 15 years	146.28	[illegible]	146.69	–	[illegible]
4 Irredeemables	169.50	[illegible]	169.97	[illegible]	[illegible]
5 All stocks	132.08	[illegible]	132.15	[illegible]	[illegible]
Index-Linked					
6 5 years	130.24	[illegible]	130.20	–	[illegible]
7 Over 5 years	127.65	–	127.65	–	[illegible]
8 All stocks	127.65	–	127.65	–	[illegible]
9 Debentures & Loans	117.61	-0.05	117.80	[illegible]	[illegible]
10 Preference	86.63	-0.26	86.85	–	[illegible]

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	87	9
Corporations, Dominion and Foreign Bonds	2	13	36
Industrials	203	662	711
Financial and Properties	64	238	366
Oils	16	48	42
Plantations	2	5	6
Mines	30	55	105
Others	89	68	92
Totals	421	1,176	1,367

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov 21
● Last Dealings Dec 2
● Last Declarations Feb 23
● For settlement Mar 6

For rate indications see end of London Share Service

Calls in Lonrho, Blue Arrow, Hardin & Peacock, Wimpey, Imry Props, Charter Cons, BOMS, Petrogen, Priest B, Lucas, Amal Fin, Williams (Rex), PML, Eurotunnel Wrnt, Tubular Exhib. P/C in Jaguar.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Acquisitions push Tate to £120.1m

By Clay Harris

SHARPLY HIGHER contributions from cereal sweeteners and starches, the result of a busy year of acquisitions, helped Tate & Lyle to increase pre-tax profits by 31 per cent to £120.1m in the 53 weeks to October 1.

The pre-tax advance from £92m was accompanied by a 24 per cent rise in fully diluted earnings per share to 88.6p (71.5p). With the results at or above most expectations, Tate shares closed unchanged at 540p.

While welcoming the first four-month contribution from Staley, the US corn syrup company Tate bought for $1.48bn (£783m) in May, and the benefits of a higher stake in the European-based CST Group, Mr Neil Shaw, chairman and chief executive, emphasised that the original parts of Tate had increased profits by more than 10 per cent.

Profits from UK sugar refining, for example, have rebounded to match the 1983-84 level of £20.3m, against a low of £5.4m in 1985-86. The latest figure, however, does not include £5m back payments Tate will receive as a result of a change in the EC pricing formula for cane refiners.

Among the few black spots was molasses, where profits dipped sharply under competitive pressure, although growth in speciality feeds helped to cushion the fall.

PRE-TAX PROFITS BY DIVISION (£m)	1987-88	1986-87
Sugar production/refining		
UK	20.3	14.1
Canada	12.2	12.4
US	3.9	13.7
Other	10.1	5.0
Cereal sweeteners and starches		
US	13.8	–
Europe	11.3	5.4
Processing and trading		
Sugar trading	6.0	4.0
Molasses/speciality feeds	8.0	11.3
Malting	2.5	2.0
Service businesses	13.6	11.2
Automotive/industrial/constr. prods	15.7	12.5
Other	1.3	1.7
Total*	118.7	93.3

*Before R&D costs and net central interest income

Profits from US sugar production plummeted to less than a third of their previous level, largely because of the glut of beet sugar from the west flooding an east coast market bedevilled by a surfeit of cane refining capacity. Moreover, beet profits fell from the record levels of 1986-87.

Sterling's strength depressed North American profits, including Canadian results ahead in local currency terms, by £5m, even after taking account of the group's hedging $30m profits at a sterling exchange rate of $1.67. Tate has not arranged any such forward cover this year.

Tate expects US regulatory approval shortly for its $305m purchase of Amstar, the largest US cane refiner, and the linked $105m disposal of its only US refinery at present, in Yonkers, New York.

When these deals are completed, Tate will have 65 per cent of its assets and sales in the US. By product, 42 per cent of revenue will come from sucrose, 30 per cent from cereal sweeteners and starches and 28 per cent from other activities.

Sucralose, the no-calorie sweetener being developed jointly with Johnson & Johnson of the US, cost £6m.

With group turnover ahead by 23 per cent to £2.09bn (£1.7bn), Tate's operating margin has risen to 6.2 per cent against less than 2 per cent in 1980-81. The tax charge fell from 30.5 to 30.1 per cent, and the proposed final dividend of 19.5p (17p) will raise the total to 29.5p (26p).

Tate plans to subdivide its shares into four in an effort to make them more attractive to small investors and employees.

● **COMMENT**

Tate has rarely had it so good in so many sectors, but the buying spree and ambitious investment plans have had their costs. Gearing, at 105 per cent at the year-end, will rise another dozen percentage points after Amstar deal. Although Tate is bumping against borrowing limits, its bankers are happy with projected interest cover of a healthy four times in the current year. Nevertheless, flexibility is limited if other large opportunities come along. Even if Amstar was untimely in financial terms so quickly after Staley, however, Tate's courage to take the plunge was well-founded. Assuming pre-tax profits of upwards of £170m, the prospective p/e is closer to 8 than to 9. This is not expensive for such a solid stock, but the size of the uncovered dollar exposure could have investors grinding their sweet teeth some nights.

Charterhall bids for beleaguered Corah

By Ray Bashford and Alice Rawsthorn

CHARTERHALL, the investment vehicle of Australian businessman Mr Russell Goward, has launched an agreed bid for Corah which values the troubled textiles group at £27.2m.

Ending months of speculation about which direction Mr Goward would jump after building up strategic stakes in four other listed companies, Charterhall has offered 75p cash or a loan note alternative to win the board's support.

Corah shares were temporarily suspended before the bid announcement but returned to add 6½p to 71½p by the close of business.

Charterhall has held Corah shares for eight months and following yesterday's purchase of a 6 per cent stake now holds 29 per cent of the capital. Agreement has been received from shareholders speaking for another 26.3 per cent of the capital, lifting Charterhall's effective control to 55.3 per cent.

Speaking from Sydney, Mr Goward said the acquisition would form a beach head for expansion into the British clothing manufacturing industry.

"The existing management will get on with restructuring the company while we identify other acquisitions to fold into the company as the industry is rationalised," he said.

For Corah, one of the bastions of the east Midlands knitting industry and a significant supplier to Marks and Spencer, the bid comes as the culmination of several years spent struggling against hefty borrowings and poor profitability.

Corah's troubles began in 1984 when it took over Reliance, a fellow M and S manufacturer. The integration was fraught with problems. Corah then suffered a strike at one of its factories. In 1987 it lurched into a pre-tax loss of £1.7m on static sales of £96m.

Earlier this year the company recruited Mr John Foulkes, from Hanson, as chief executive. He conducted a rigorous review of Corah's activities and mapped out a plan for restructuring.

Corah has since shed over 1,100 employees, withdrawn from the knitwear market and sold its socks business to Courtaulds. Its workforce has fallen to under 4,000 as a result. Restructuring costs contributed to attributable losses of £7m in the first half of 1988.

The restructuring was largely completed this autumn. But Mr Foulkes faced a difficult task in reducing borrowings to a more manageable level and improving the profitability of Corah's businesses.

Corah's borrowings are understood to be £10m. However, it is understood that the sale of a large portion of the company's 10 acre Leicester manufacturing site could significantly reduce this figure.

Mr Goward has entered the UK clothing industry at a difficult time. In recent months the industry has become increasingly competitive because of a rapid rise in imports – fuelled by the strong pound – and the uncertain outlook for consumer spending.

However, Mr Goward was confident of the company's future and the role it will play in allowing entry to the industry.

BPB falls short of estimates with £104m

By Andrew Taylor, Construction Correspondent

THE SHARE price of BPB Industries, Europe's biggest plasterboard manufacturer, fell sharply yesterday knocking some £65m off the company's stock market value.

The fall followed the announcement that pre-tax profits had risen by only 14.5 per cent to £104.1m (£90.9m) during the six months to end-September. Turnover rose from £434.1m to £485.9m.

The market had been expecting higher profits and marked the shares down from 239p to 223p.

BPB, which traditionally produces more than 90 per cent of all the plasterboard sold in Britain, is facing increasing competition at home and on the continent.

Stockbrokers Phillips & Drew estimate that about 280m sq metres a year of new European plasterboard capacity is likely to come on stream by 1990 in a market which is only likely to grow by about 40m sq metres over the same period.

In the UK, BPB is facing competition from two sources: Knauf, privately owned West German company, and Redland, the British building materials group which has established a joint venture with CSR of Australia, to supply plasterboard to the UK.

Knauf, which also competes with BPB in France and West Germany, is next month due to start production at a new plant at Sittingbourne, Kent, and has announced plans for a second plant on Humberside.

Redland, currently building its first plant at Bristol, also has plans for a second plant in south east England.

BPB estimates that by the end of next year plasterboard capacity in the UK would increase to more than 260m sq metres a year compared with sales this year of around 180m sq metres.

It said its investment in new plant would enable it to cut costs by up to a quarter leaving room to reduce prices, should a sales war develop.

Effects of a price war could be perceived in BPB's first half results from France where profits were lower mainly due to laminated board price competition with Knauf and Lafarge of France.

BPB's Rigip West Germany subsidiary has increased profitability despite lowering prices to compete with Knauf. It was BPB's purchase of Rigip last year which prompted Knauf to attack BPB's own home market.

BPB also reported lower profits in North America due to increased competition and a fall in Canadian housebuilding.

In the UK, the company's conservative housekeeping meant investment in new plant restricted profits growth as did adverse currency exchange movements.

Earnings per 50p share rose to 16.3p (14.5p) and the interim dividend is lifted to 3.75p (3p).

● Gypsum Industries, BPB's Irish offshoot, reported pre-tax profits of I£3.33m (£2.78m) against I£2.88. Turnover was £15.74 (£16.3m). The pre-tax figure was struck after interest received of £346,000 (£300,000).

See Lex

Avdel wins court orders

By Clay Harris

AVDEL, the UK industrial fasteners group fighting a £102m takeover bid from US-based Banner Industries, yesterday won court orders disenfranchising two blocks of shares, the beneficial ownership of which Avdel had been dissatisfied about.

Avdel also said the Stock Exchange surveillance division was investigating certain dealings in its shares before and after the Banner offer.

The orders, granted in the High Court in London under Section 216 of the Companies Act, apply to two blocks totalling less than ½ per cent of Avdel shares. Avdel's inquiries under Section 212 led to Banque Centrade Ormond Burrus of Geneva and Banque de Luxembourg in Luxembourg.

They both failed to give adequate replies to Avdel's inquiries. Avdel is also considering legal action relating to about a dozen additional blocks, totalling about 2½ per cent, which had been traced to tax haven addresses outside the UK.

Ferranti sounds cautious note after 6% increase in earnings

By David Waller

FERRANTI INTERNATIONAL Signal, defence electronics group, yesterday sounded a cautious note on its short to medium term outlook as it reported a 6 per cent rise in earnings for the six months to the end of September.

Sir Derek Alun-Jones, chairman, warned the City about the likely adverse impact of high interest rates and strong sterling on profits. Some 40 per cent of the company's turnover is dollar-denominated and gearing at the half-year stage stood at 60 per cent.

Sir Derek's caution was reflected in a modest 5.5 per cent rise in the interim dividend to 0.76p per share.

At the pre-tax level, profits rose from £23m to £40.1m, including a full contribution from International Signal & Control, the enigmatic US-based defence contractor which merged with Ferranti in November 1987. Turnover rose from £302m to £503.1m.

Although the increase in first-half earnings – from 3.5p to 3.7p per share – was exactly in line with City expectations, forecasts for full-year profits were trimmed from just over £100m to as little as £96¼m, and the shares dropped 2½p to 93¼p. At this level, the company is capitalised at £699m.

The figures were struck after a £1m loss on the development of Phonezone CT2 telephone, for which Ferranti expects to win a licence early next year. The comparable figures included turnover of £29.6m and an operating loss of £600,000 on the semiconductor business sold last year.

The interest charge surged from £2.8m to £11.4m. This was due partly to higher interest rates, but the main reason was the higher level of debt in the former ISC businesses. At the end of the half year, net borrowings were £200m. Sir Derek said the aim was to get the figure down to £145m by the year-end.

● **COMMENT**

One of the main criticisms of ISC when it was an independent company was that its gearing was too high and the source of much of its earnings clouded in mystery. These criticisms can now be applied to Ferranti International. There was no profits breakdown and although margins have risen substantially as a result of the merger, so have debt and interest payable. The enlarged group is thus not in a good position to deal with the new era of yet higher interest rates and a stronger pound ushered in by the Chancellor last week. The cautious tone of the chairman's statement, and the modest dividend increase, show that the company recognises this. In the long term, Ferranti should benefit from the expected order for European Fighter Aircraft radar, but it is questionable whether the balance sheet is really strong enough to support the development of CT2 against powerful competitors. If the company makes £98.5m in the full year, the shares are on a prospective multiple of 10.6. That the shares are rated higher than the market average, reflects the outside possibility of a bid if GEC's offer for Plessey is allowed to go through.

Carless white knight possibility

By Clare Pearson

CARLESS, oil independent, yesterday raised the possibility that an eleventh hour white knight could emerge to deliver it from Kelt Energy's £208m hostile bid. That talks were underway with a third party which might lead to an offer.

Though the announcement followed reports of stake building last week, it met with surprise and some caution. It had been believed that any serious rival would have moved before this late stage: Kelt's cash offer is due to lapse next Thursday.

Mr Ian Clubb, Carless' chief executive, said: "Obviously the talks are serious, as the Takeover Panel would not allow us to make statements like this with no substance behind them."

Carless' shares, valued at 115p under the cash offer by Kelt, which claims control of about 48 per cent of the company, closed up 1½p at 117p.

Mr Clubb said a further clarifying statement would be made, probably early next week. It was not clear whether the third party would be in position to launch a bid, assuming it wanted to, before the December 8 deadline for Kelt's cash offer.

Carless accompanied the announcement with a forecast of pre-tax profits of not less than £9.1m, against £6.8m last time, and earnings per share of at least 4.1p (2.3p) for the year to end-March 1989.

It also unveiled interim results showing unchanged pre-tax profits of £2.2m, and net profits of £1.9m (£1.5m). It is paying an unchanged interim dividend of 1p.

In its circular to shareholders detailing these figures, Carless highlighted the strong advance in profitability at the operating level forecast for the second half. Both US upstream activities, and downstream businesses, were expected to show a doubling.

Lowndes sells Poundstretcher

By Maggie Urry

LOWNDES QUEENSWAY, the furniture and carpet retailer headed by Mr James Gulliver, which was formed by the acquisition of Harris Queensway, has agreed to sell its Poundstretcher discount chain to Brown and Jackson, retail, building and property group, for £70m.

Poundstretcher was put on the market in late October after Lowndes received an offer of £50m from the chain's management, headed by Mr Stephen Fearnley and Mr Paul Appell, who together own 5 per cent of the equity. However, Lowndes hoped to get a higher price – between £60m and £70m – for the business. The sale price reflects the level of interest in the business.

Brown and Jackson is believed to have agreed the purchase of the 5 per cent stake from the management as well.

The deal is a significant one for Brown and Jackson, a one-time glamour stock, whose 1987 pre-tax profits totalled £661,000. Poundstretcher made pre-tax profits of £7m in the year to January, after paying rents on some freehold and leasehold properties which are included in the deal. In its last balance sheet Brown and Jackson's shareholders funds stood at £7.4m.

Poundstretcher has 160 stores, mainly in the north of England, totalling about 1m sq ft of sales area.

Trading in Brown and Jackson's shares was halted at 39p on the announcement and they will remain suspended until shareholders have details of the financing of the deal and an extraordinary meeting is held to approve the purchase.

Smurfit enters as white knight in Cundell bid

By David Waller

Jefferson Smurfit, the Dublin-based group which claims to be one of the world's largest paper packaging companies, yesterday emerged as a white knight in the four-cornered battle for control of Cundell Group, a smaller packaging company.

Cundell's board retracted its previous recommendation that it should merge with Ferry Pickering. This deal was challenged a week ago by Crown Packaging, a private company which topped the Pickering terms with a £28.6m offer. Now Cundell is recommending a £33.3m bid from Smurfit.

Mr Brian Fix, Cundell chairman, said the offer from Crown had made the terms of the link-up with Pickering seem unrealistic.

The Smurfit offer is pitched at 185p cash per share, compared with the 160p offered by Crown and the 138p value of the Pickering merger. Cundell's shares rose 15p yesterday to close at 186p.

Ferry Pickering said it would reconsider its position after assessing the level of acceptances today, the first closing date for the share offer. Crown said it was considering its options.

Avis £5.9m deal

Avis Europe, car leasing and rental group, is building up its presence in Scotland with the £5.9m acquisition of CG Leasing, Edinburgh-based contract hire company.

CGL, which has 2,500 vehicles under contract, made pre-tax profits of £410,000 in 1987 and had net assets of £1.07m at the end of that year.

French bid rival mooted by Northumbrian Water

By Andrew Hill

NORTHUMBRIAN Water Authority suggested yesterday that if privatised it would consider launching a rival bid for two water companies in its region, currently the subject of recommended offers from Lyonnaise des Eaux, French water supplier.

The authority is prohibited from launching a takeover while in the public sector, but it said a combination with Newcastle and Gateshead and Sunderland and South Shields water companies would provide greater opportunities for company employees, while economies of scale would benefit customers.

Northumbrian's action will put pressure on the water companies' stockholders, who should receive Lyonnaise's offer document in the next few days. It is believed to follow approaches to the authority from institutional shareholders unhappy with the proposed takeovers.

Northumbrian has already joined local MPs in pressing for the Lyonnaise bids to be examined by the Office of Fair Trading.

Sunderland's offer document revealed it had had discussions with several potential suitors from the UK and overseas before selecting Lyonnaise. Those approached are thought to have included the two other French water suppliers involved in the sector and major UK water contractors.

● Separately, the Water Companies Association, which represents the UK's 28 quoted statutory water companies, said that it favoured no single investor in the sector and had not been involved in the decision to sell a 5 per cent stake in Rickmansworth Water Company to Compagnie Générale des Eaux, France's largest water supplier.

Générale des Eaux bought the stake on Tuesday from the Water Companies (Pension Fund) Trustee Company and on Wednesday declared a 16.1 per cent holding in Rickmansworth.

Management of the fund's water company assets is delegated to Schroders, the merchant bank. The fund – to which 30 employers in the private water sector, including the WCA, contribute – has sold small stakes in a number of water companies over the past 18 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bank of Nova Scotia, Marling Inds, Stoddard Sekers, Wood (SW).

FUTURE DATES

Interims-	
Builder	Dec. 15
Ford Sellar Morris	Dec. 13
Gibbon Lyons	Dec. 8
Morris Ashby	Dec. 12
Oceonics	Dec. 7
Optometrics (USA)	Dec. 8
Security Archives	Dec. 16
Tinsley (Eliza)	Dec. 12
Toothill (RW)	Dec. 8
Wardell Roberts	Dec. 13
Westminster & Country	Dec. 12
Finals-	
Hambros Advanced Tech Tst	Dec. 13
Lexicon	Dec. 5
Richards	Dec. 8
Trafalgar House	Dec. 5

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baker Harris	int	3†	-	2.25	-	6.25
BPB Inds	int	3.75	Jan 27	3	–	8.5
Carless	int	1	–	1	–	2.75
Carroll (PJ)	fin	5.4♣	Feb 14	5	8.2	7.8
Castings	int	1.75	-	1.4	-	5
Dundee/London	fin	5.9	Jan 25	4.4	8.8	6.8
Erskine House	int	1.9†	Feb 21	1.6	–	5.2
Ferranti IS	int	0.76	–	0.72	–	2.328
Finlan Grp	int	2.2★	Feb 27	2	–	4.5
Huntingdon Intl	fin	2.25	–	–	2.25	–
Mansfield Brew	int	2.25	Jan 9	2.25	–	9
MEPC	fin	11†	Jan 19	9.75	14.5	13
Millward Brown §	int	1.5	Jan 16	1.25	–	3.3
Monks & Crane §	int	1.3	Feb 2	1.2	–	3.2
Royal Bank	fin	9.7†★	–	8.1	15	12.7
Schroder Global	fin	2.4	-	2.275	4.6	4.4
Scot & Merc Tst	int	1.4	–	1.4	-	4.6
Sidlaw Group	fin	4.25	–	3.5	7	5.5
Tate & Lyle	fin	19.5†	–	17	29.5	26
United Inds	int	1.2†	Feb 1	0.6	-	2.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ★Carries scrip alternative. ♣ Irish currency.

UK COMPANY NEWS

Iceland faces tough battle in Bejam bid

By Philip Coggan

ICELAND FROZEN Foods yesterday offered a partial cash alternative in its £241m bid for fellow retailer Bejam, but declined to increase its offer.

Instead, Iceland has declared its original offer to be final, unless a rival bidder emerges. The news caused Bejam's shares to fall 18p to 170p yesterday.

The board of Bejam however continued to reject the offer and the founding Apthorp family, which owns a key 30 per cent stake, said it would not be accepting. Iceland thus faces a tough battle to get the required 50 per cent acceptances from the remaining shareholders.

Shareholders will be able to receive 123p per Bejam share in cash with a further 59.4p in convertible preference shares, making a total of 182.4p. The cash element is underwritten by N M Rothschild. The all-share offer is 41 Iceland ordinary shares and 60 convertible preference shares for every 100 in Bejam and values each Bejam share at 190.6p.

Iceland also declared that the partial cash alternative would not be open after December 21. This tactic was devised to encourage Mr John Apthorp, Bejam's chairman, and his family to accept. However, Mr Walker, Iceland's chairman, was disappointed later in the day when Mr Apthorp and his family announced they would not be accepting.

Mr Walker said that Iceland had decided not to increase the bid because the directors "only wanted to do the deal at the right price. Without the deal, Iceland will continue to grow and prosper" he added.

Mr Walker also attacked figures in Bejam's latest defence document, citing the different growth rates of frozen foods sales in the North-West and the South-East. Bejam had argued that Iceland's superior growth rate had been boosted by the fact it was based in the faster-growing North-West; Mr Walker argues that the accepted statistical source, AGB, shows that the South-East, where Bejam is based is in fact growing faster.

Royal Bank rises 57% to £309.2m

By David Lascelles, Banking Editor

THE ROYAL BANK of Scotland yesterday reported pre-tax profits of £309.2m for the year ending September 30. This represented an increase of 57 per cent on the previous year's result, though, excluding the large factors which depressed the 1987 figures, such as property sales and Third World provisions, the underlying rise was 28 per cent.

This outcome comfortably exceeded the City's forecasts and was attributable to a strong earnings improvement in most parts of the group, and a fall in bad debt provisions. Earnings per share were up 49 per cent to 67.1p. The dividend is being increased by 18 per cent to 15p.

Sir Michael Herries, chairman, said: "We believe these results to be exceptionally good considering the uncertain markets in which we have operated. They represent a remarkable achievement in a year which also saw us devoting considerable effort to group expansion and to our preparation for the single European market."

The clearing bank operations earned £270.6m (£202.4m), thanks to an increase in net interest income. Lending margins were preserved despite a less favourable deposit mix.

The RoyScot Finance Group, which includes A.T. Mays, the recently acquired travel agent, earned £27.4m (£24.3m). The group's three-year-old insurance subsidiary also came into profit for the first time, earning £4m.

The main earnings fall came at Charterhouse, the group's merchant banking arm, where profits were £35.1m (£39.2m). However the previous year's result was boosted by £7m from the sale of its investment in Woolworths.

The group's overall cost-to-income ratio increased from 60.7 to 62.3 per cent, mainly because of the 2,500 additional staff taken on with A.T. Mays. The bad debt charge fell to £59.2m from £79m.

The Royal is expecting to complete the £240m purchase of Citizens Financial Group in Rhode Island by the end of this year.

● COMMENT

In the last four years, the Royal Bank's earnings per share have more than doubled and dividends have grown at a compound rate of 16 per cent, but it is hard to see how the group can match this sort of performance over the next four. If it could it would not be selling on a prospective multiple of 5. A 28 per cent rise in full-year profits helps explain why the shares have outperformed the market and the sector by 7 per cent over the last year but the group will be pushed to report double digit profit growth in 1988/89 as the resumption of pension fund charges and the move towards paying interest on quasi-current accounts begin to bite. That said the shares, at 356p, are selling at a discount of more than a fifth to net asset value and with a market capitalisation of £1bn there is always an outside chance that that they might attract a foreign predator.

Sir Michael Herries

Herries and Laing to meet

SIR MICHAEL Herries, chairman of the Royal Bank of Scotland, is to have a meeting next week with Sir Hector Laing, chairman of United Biscuits, to discuss its lending policies, writes David Lascelles.

The move is the result of a letter from Sir Hector seeking assurances that the Royal Bank will not help finance hostile bids for his company.

The Royal has drawn fire for providing loan facilities for Elders IXL to bid for Scottish & Newcastle Breweries, a company with which it has close links.

Mr Charles Winter, the bank's chief executive, said yesterday that relations with Sir Hector were amicable, and that the Royal held to its policy of treating all its customers equally.

Haden MacLellan launches rights to fund £28m expansion

By Clay Harris

HADEN MACLELLAN Holdings, diversified industrial group headed by Mr Philip Ling, is to pay £27.75m for six engineering companies in the UK and US.

All but one of the companies is coming from Williams Holdings; the other – specialist crane builder Butterley Engineering – is being sold by Norcros. Both sellers are UK conglomerates considerably larger than Haden MacLellan.

The group is to finance most of the acquisition cost through a one-for-four rights issue at 165p which will raise £22m after expenses. The shares closed 7p lower at 186p.

The acquisitions announced yesterday will be the largest since Mr Ling reversed two private companies, Haleworth and Haden, into the listed agricultural equipment maker P&W MacLellan in October 1987. He had previously failed in a pioneering management buy-in attempt at Simon Engineering.

The group will now rely on 17 diverse manufacturing and distribution companies for half its earnings, with the rest coming from Haden, its US-based automated paint-line subsidiary. There is a similar 50-50 split between US and European-based profits.

The latest transactions are remarkable because three of the companies being bought were formerly part of London and Midland Industrials, where Mr Ling was managing director until 1984. LMI was taken over by Williams in 1986.

But Mr Ling's connection with the three companies goes back even farther. Brown Products, manufacturer of corrugated protective packaging; Ober, supplier of actuator rings; and Nim-Cor, producer of expanding air shaft for winding and unwinding, had been part of Johnson and Firth Brown, of which Mr Ling had been general manager since the late 1970s.

When JFB sold the three – all of which are US-based – to LMI in 1982, Mr Ling moved as well. In 1987, the three made pre-tax profits of $3.9m (£2.1m) on sales of $25.6m.

Williams had already sold 12 former LMI engineering companies (as part of a package of 18) to Mr Ling's Haleworth in 1986. Most of the former LMI is now part of Haden MacLellan.

Also included in yesterday's £22.25m disposal by Williams were two UK-based companies: AEC, machining, assembly and metal treatment sub-contractor for British Aerospace, and Freeman and Proctor, specialist welder. Together they achieved pre-tax profits of £472,000 on sales of £3m in 1987.

Haden MacLellan, meanwhile, is paying Norcros £5.5m for Butterley, which recorded pre-tax profits of £491,000 on turnover of £20.4m in the year to March 31.

One of Mr Ling's leading original backers for Haleworth, Schroder UK Buy-Out Fund, meanwhile, has placed its 18 per cent stake in Haden MacLellan at 175p.

The fund, which has seen its investment grow by nearly four times, said its policy did not allow long-term holdings in listed companies. Another Schroder fund, however, is retaining its stake of 7 per cent, although this will be diluted by the rights issue.

Millward Brown

Substantial growth in its advertising tracking business helped Millward Brown, market research agency, to raise interim taxable profits from £851,000 to £1.16m.

Turnover for this USM-quoted company to the end of September was £9.42m (£7.42m), and after tax of £437,000 (£314,000) earnings per 10p share came out at 10.2p (7.7p). The interim dividend is being raised to 1.5p (1.25p).

Castings' upward trend continues with £1.14m

By Richard Tomkins, Midlands Correspondent

CASTINGS, foundry group based in Brownhills, West Midlands, yesterday reported a buoyant first half with pre-tax profits continuing their upward trend from £888,420 to £1.14m for the six months to September 30.

Turnover rose from £8m to £9.2m while rising interest charges provided a boost as net interest receivable rose from £105,248 to £158,440. Earnings per share rose from 5.61p to 7.2p and the interim dividend has been increased to 1.75p (1.4p).

Mr Brian Cooke, chairman, said 40 per cent of Castings' volume went to the commercial vehicle sector, much of it to Scania in Sweden, and another 30 per cent went to the building industry largely in the form of scaffolding fixtures and step irons for manholes.

Strong demand in the automotive and construction sectors had pushed up volumes and led to the foundries operating at virtually full capacity in Rotherham, and this should benefit the second-half results.

Order books were full, Mr Cooke said, and the prospects were for another record year.

RTZ chemicals purchase

By Kenneth Gooding, Mining Correspondent

RTZ CORPORATION, mining and industrial group, has paid £28.5m cash for Staveley Chemicals (Holdings). Based on a 180-acre site near Chesterfield in Derbyshire, Staveley makes a wide range of bulk chemicals and intermediates, predominantly for sale in the UK.

Staveley will become part of RTZ Chemicals, which said the purchase provided the opportunity to develop its business which produces intermediates for the pharmaceutical and agrochemical industries.

The consideration includes the discharge of certain loans from Staveley's shareholders, British Steel, National Smokeless Fuels (a British Coal offshoot) and Norsk Hydro (UK).

P J Carroll shows 10% improvement to I£8.5m

P J Carroll and Company, Irish group involved in tobacco, aquaculture and direct marketing, has reported pre-tax profits for the year to September 30 1988 up 10 per cent from I£7.73m to I£8.5m (£7.1m). Turnover fell 19 per cent from £280.76m to £226.93m.

Tobacco profits rose from £11.91m to £13.82m on sales of £55.5m (£56.7m) and the chairman said much of the reorganisation caused by a contracting domestic market was complete.

Losses in the aquaculture division were reduced to £845,000 (£842,000), but losses in direct marketing rose to £4.79m (£3.27m).

A final dividend of 5.4p is recommended for a total of 8.2p (7.8p), on earnings per share of 10.7p (10p).

Murdoch attacks Wm Collins record

By Fiona Thompson

MR RUPERT MURDOCH claimed yesterday that William Collins lacked direction, was suffering from low staff morale and had seen profits in its core businesses decline.

The claims were made in the offer document posted to shareholders yesterday by Mr Murdoch's News International, which has launched a hostile £294m cash bid for the 58.3 per cent of Collins it does not already own.

Mr Ian Chapman, chairman of the Glasgow-based publisher, said last night he was astonished at the tone of the document. "The attack on the Collins management has been manufactured for this bid," he said. The talk about low morale was completely untrue, and there was no justification for the offer price. "It is a cheap bid aimed at bouncing shareholders."

The News International offer, made two weeks ago, is 640p for each ordinary voting share and 535p for the non-voting 'A' shares. On the day the bid was launched Collins' ordinary shares jumped 142p to 685p and the 'A' shares rose 116p to 569p. The climb has continued and last night the ordinary shares closed at 810p and the non-voters at 680p.

News International has held 41.7 per cent of Collins since Mr Murdoch's unsuccessful first bid for the publisher in 1981.

Mr Murdoch says in the offer document that stronger direction is needed at Collins.

Issues causing concern included the departure of eight key Collins' executives and the decline in the performance of the core businesses. Only when the contribution from Harper & Row, the joint venture with News America, was included did this year's interim figures show any improvement over last year, the document said.

The current "inflated" market prices of the Collins' shares reflected "an unrealistic view" of what the company was worth and a "lack of comprehension regarding the appropriate premium to be paid for a company in which News holds over 41 per cent of the voting share capital."

Baker Harris rises

An 85 per cent increase to £1.94m (£1.05m) in interim pre-tax profits was reported by Baker Harris Saunders Group, chartered surveyor and commercial estate agent. Turnover was £4.05m (£2.33m) for the six months to October 31. Earnings per 10p share jumped to 10.7p (5.8p) and the interim dividend is raised from 2.25p to 3p.

MEPC assets show 36% growth

By William Cochrane

MEPC, Britain's second biggest property company, produced results in line with most analysts' expectations yesterday. It said that prospects were good, emphasised the scale of its development programme and calmed any worries that shareholders might have about the climb in floating interest rates.

Pre-tax profits, including a full year's contribution from the Oldham Estate acquisition for the first time, were 31 per cent higher at £104.8m. Earnings per share rose by 15 per cent to 22p and the dividend for the year is lifted from 13p to 14.5p a share with a final of 11p (9.75p).

The outstanding figure, however, was in the assets performance. Commenting on the 36.4 per cent jump in net assets from 533p to 727p a share, Mr James Tuckey, managing director, said yesterday that most brokers' analysts were pitching their forecasts below this figure a month ago, before the Rodamco bid for Hammerson raised the temperature in the stock market.

An annual revaluation of investment properties, at £2.76bn, showed a surplus of £606m last year, with a powerhouse performance from the UK, which lifted its share by 33 per cent and now accounts for some 80 per cent of the total. Furthermore, MEPC noted that developments and trading properties totalling £431m have not been valued and continue to be held in the balance sheet at cost or prior year valuation.

The company also has a big development programme for its size. Sir Christopher Benson, chairman, said in his statement that the estimated cost of the group's development programme was £1.2bn. This compared with a current figure for total group property assets of £3bn plus.

"*Projects with a cost of* £860m are already under way," he said "and several other *major projects* will be announced shortly on properties already owned. We expect that the valuations on completion will considerably enhance net asset value per share."

He added that the group was in control of its funding. "In the current climate, where government economic policy to control inflation has resulted in a period of high interest rates, the group is well placed for the future with 88 per cent of its debt at fixed rates of interest, at an average cost of 10¼ per cent."

Sir Christopher concluded that the prospects for the current year were encouraging.

● COMMENT

One of the poorer areas in the MEPC valuation is the City of London, and even that has managed an 18 per cent increase. The City's rental performance was clearly stronger than that, for valuation yields have increased by a quarter to a half of a percentage point:"reflecting institutional nervousness about the prospects for the City in view of prospective increases in supply of office space, and the possible consequences of the stock market crash in October 1987." MEPC is biting the bullethere, for its Alban Gate development – 350,000 sq ft, bridging London Wall and still not pre-let – is an important component of its development prospects. Thankfully, last year's Oldham acquisition brought more West End than City property into the portfolio.

Evode sells parts arm to Evans Halshaw

By Richard Tomkins, Midlands Correspondent

EVANS HALSHAW, Birmingham-based motor dealer, has agreed to buy Supra Group, a car parts company, from Evode, adhesives and speciality chemicals group, for £8.5m.

The Supra operation will be merged with Evans Halshaw's existing Moprod car parts operation, a fast-growing supplier of non-franchised parts to the after-market.

Consideration for the deal will be £6.5m in cash – £1m deferred to the end of next year – and £2m in the form of 688,705 Evans Halshaw shares.

Supra is a long-established distributor of motor components such as electrical, braking, steering, suspension and cooling parts. It also manufactures electrical components at a factory in Kettering, Northamptonshire.

Moprod has no manufacturing operations or any significant presence in the electrical components market. Evans Halshaw believes the two companies will complement one another and provide the opportunity to apply Moprod's marketing strengths to Supra's brands.

Evode bought Supra in January 1987 for £15m and is retaining its speciality chemicals side, which consists of Supra Chemicals and Paints and Gomet.

Supra's car parts operations reported pre-tax profits of £1.2m for the year to the end of October.

They are being bought on an exit multiple of 10.8 and should provide an immediate enhancement of Evans Halshaw's earnings per share.

Further acquisitions soon as Erskine House rises to £4.8m

By Andrew Hill

ERSKINE HOUSE Group, the facsimile and photocopier machines distributor which has bought nine companies since its March year-end, announced a 23 per cent increase in pre-tax profits to £4.84m in the six months to September 30, against £3.92m in the equivalent period, restated to account for mergers.

Six of the acquisitions, including the £22m purchase of Quest, the computer products supplier which makes about half its sales in the Soviet Union, have taken place since the end of September.

Mr Brian McGillivray, Erskine's chairman, said the group might add four more companies to its office equipment distribution network, with acquisitions in West Germany and the US planned before the end of 1988. Erskine's second half is traditionally stronger than the first six months.

Mr McGillivray was particularly pleased with the first-half performance of the US subsidiaries, the profits of which rose from £1.39m to £1.59m. He said US profits would have been about £200,000 higher but for the effect of translation from US dollars to sterling, and he added that between £150,000 and £200,000 had gone in additional group management charges in the US.

Group turnover rose from a restated £49.81m to £57.34m, of which 33 per cent (32 per cent) represented sales in the US.

Earnings per share rose 5 per cent to 8.7p (8.3p), held back by the issue of £25m of cumulative convertible preference shares in July.

The directors have declared an interim dividend of 1.9p per share, compared with 1.6p last time.

An extraordinary profit of £871,000, against a loss of £278,000 in the equivalent period, represented the sale of the pest control business to Mowlem, international construction group, in June.

● COMMENT

Erskine's rapid expansion looks like slowing in 1989, although there are still a handful of acquisitions to come before the New Year, including the long-awaited move into West Germany. These results were slightly below expectations as a result of one-off management charges in the US and investment in a quality training programme in the UK, but the traditionally stronger second half promises to show the benefits of recent expansion. In the longer term, Erskine's growth is unlikely to be affected by rising interest rates or recession: clients still need their facsimile and photocopying machines serviced, even if investment in new equipment is cut. Analysts are looking at upward of £15m for the full year, putting the shares, which dropped 2p to 210p yesterday, on a prospective p/e of about 9.5 – not too demanding, although they may mark time while recent purchases are consolidated.

Sidlaw profits double to £5.6m

Sidlaw Group, textiles and oil-services concern, continued its recovery with pre-tax profits doubling from £2.8m to £5.6m in the year to the end of September 1988. Turnover was *14 per cent higher at £64m.*

Earnings per share came out at 17.3p (9.2p) and the directors *are proposing a final dividend* of 4.25p (3.5p) for a total payment for the year of 7p (5.5p).

Directors said the results reflected the continuing recovery in oil services, where operating profits were £2.6m higher at £4.6m, and a steady performance from textiles with profits little changed at £1.8m.

Mr Digby Morrow, chief executive, said Sidlaw had emerged from a couple of difficult years with two well-managed divisions where current trading conditions were healthy.

Reorganisation benefits show at Monks & Crane

By Richard Tomkins, Midlands Correspondent

MONKS & Crane, the USM-quoted supplier of industrial tools and fixings, began showing the fruits of last year's expansion and reorganisation in the six months to end-September.

Pre-tax profits rose from £1.01m to £1.22m on turnover up from £17.19m to £23.18m. Earnings per share grew by only 0.2p to 4.4p because of shares issued for last year's three acquisitions, but the interim dividend is raised from 1.2p to 1.3p.

The group, based in West Bromwich, West Midlands, reported static profits of £2.01m in the year to March because of the reorganisation that accompanied its acquisitions.

Mr Albert Spacie, chairman, said the final stages of the company's development plans had now been implemented. The new distribution centre was fully operational.

The refurbishment of its masonry nail and woodscrew factory in Arley, Coventry, was also complete and had led to a 20 per cent increase in output.

Roughly half the sales and profits increase was attributable to acquisitions, Mr Spacie said, while existing businesses had been buoyed by strong demand from the engineering and construction industries.

"October and November have been good months, and if we get a mild winter, we are looking at a strong second half," Mr Spacie said.

United Inds up 54% to £1.26m

United Industries, West Midlands-based spring manufacturer, steel stockholder and processor, yesterday announced pre-tax profits of £1.26m for the six months to October 1.

The outcome, a rise of 54 per cent on the £813,000 achieved in the half year to end-September 1987, came on turnover of £19.52m (£20.48m). Mr John Cowen, chairman, said the slight downturn in turnover represented the disposal of Bore Steel, which had contributed sales of £11.9m in the previous period.

After tax of £435,000 (£238,000), earnings per 10p share on a sharply increased capital resulting from last year's merger with Ratcliffe Industries, worked through at 2.51p (3.3p). The interim dividend is doubled to 1.2p.

ISSUE NEWS

Europa Minerals for market

By Philip Coggan

EUROPA MINERALS, a mining finance company, is set to join the main market today in a placing which will value the group at around £15m.

At present, the group's main business is private coal mining in the UK through the operation of three drift mines at Draycott Cross, Acres Nook and Osmondcroft. Production was running at around 500 tons a week when the mines were acquired but it is expected that by early 1989, it should be around 1400 tons a week, equivalent to 65,000 tons a year.

When the funds are received from the placing, that should enable the group to boost the annualised production rate to 126,000 tons per annum. Europa estimates recoverable reserves at 1.5m tons and potentially recoverable reserves of a further 3.8m tons.

A significant proportion of the coal mined at the pits is in the form of lump coal which sells at around double the price of fine coal.

Mr David Hood, the executive chairman, does not believe that, following the privatisation of electricity, the CEGB will import significant quantities of foreign coal. In dollar terms, foreign coal is not significantly cheaper, especially when account is taken of transport costs.

Europa also believes that the eventual privatisation of British Coal is likely to present opportunities for the acquisition of assets.

But coal is not the only business of the group. Europa's strategy is to create a balanced mining finance group with the three coal mining businesses generating the cash to fund the precious metals exploration activities.

The current exploration activities are centered almost entirely in Western Europe and the US. Europa's interests include a joint venture with Hecla Mining, exploring for gold in Montana; a platinum prospect in Bavaria; a joint venture exploration for gold in Alburquerque, Spain; and a gold concession at the mouth of the Pra river in Ghana.

Europa also has a 22.7 per cent stake in Dana Exploration, an Irish exploration group, which has interests in Ireland, Ghana and Botswana.

Kleinwort Benson is placing 5.5m shares in Europa, around 40 per cent of the equity, at 110p each. Analysts are forecasting that the group will have net assets of around £22m, compared with a market capitalisation of just under £15m.

USM quote for Metro Radio

By Fiona Thompson

METRO RADIO Group, the operator of the only two independent local radio franchises in the north-east of England, is joining the USM via a placing which values the company at £10.4m.

County NatWest Wood Mackenzie is placing 1.82m shares, representing 19.2 per cent of the enlarged share capital, at 110p. All the shares being placed are new, and as such will raise £1.75m for the company.

The group's two stations are Metro Radio, covering Tyne and Wear, and Tfm Radio, serving south Durham, Cleveland and North Yorkshire. The company was incorporated in 1973 to apply for the radio franchise covering Tyne and Wear. The IBA granted the franchise in late-1973 and Metro Radio started broadcasting in mid-1974. The group acquired the then loss-making Tfm Radio in 1986.

The combined transmission areas of the two stations have a population of 2.18m adults. Metro Radio's regular weekly audience of 687,000 represents 48 per cent of the potential listeners. They tune in for an average 13.6 hours a week. The station is particularly popular with the 15-to-34 age group. Tfm's weekly audience is 300,000, representing 32 per cent, and the average listening time is 13.5 hours.

Both stations broadcast 24 hours a day, seven days a week. Programme output is three-quarters music – mainly pop, with some jazz, rock and classical – interspersed with local information, news, travel and weather information, letters, personal messages and sport. Metro Radio's nightly phone-in is particularly popular, pulling in big audiences.

The group derives more than 85 per cent of its revenue from advertising. The balance is from the creation and production of commercials and from sales promotion.

In the four years from 1985 to 1988, pre-tax profits have grown from £121,000 to £1m, on sales up from £2.23m to £5.38m. At the placing price the shares are on an historic p/e of 12.8.

According to Mr Neil Robinson, managing director, the new money raised will be used "to put ourselves in the best possible position" to take advantage of the changes proposed in the White Paper on broadcasting. The Government's proposals include the setting up of three national commercial radio stations, and contractors will be allowed to control up to six local and one national station.

Apollo to join USM valued at £7.63m

By Fiona Thompson

APOLLO METALS, Birmingham-based processor and distributor of aluminium plate and bar, is coming to the Unlisted Securities Market.

Griffiths and Lamb, Birmingham stockbroker, is placing 4.31m ordinary shares, representing 37.7 per cent of the enlarged ordinary share capital, at 58p each, and 1m convertible preference shares at 100p each. The placing values the company at £7.63m.

All the shares being placed are new, and will raise £3.23m for the company. This will be used to reconstruct the company's capital base, to repay a £1.5m medium-term loan, and to reduce other borrowings by approximately £401,500.

Apollo was founded in 1971 and was the subject of a buy-out in 1985 promoted by the company's present full-time executive directors. Apollo supplies processed aluminium plate and bar to high-technology engineering companies, operating particularly in the defence and aerospace industries.

The group, employing 100 people, operates from sites in Birmingham, London and Manchester. It is an approved supplier to British Aerospace, Ferranti, Marconi, Lucas Aerospace, Royal Ordnance, and Westland Helicopters.

Following the major fall in aluminium sheet prices in 1985, the directors sought to minimise the effects by concentrating increasingly on its high specification products, which are less susceptible to the price fluctuations suffered by commercial aluminium sheet.

For the year to September 30 1988, Apollo reported pre-tax profits of £928,000 on sales of £14.39m, up from profits of £317,000 on turnover of £10.41m in 1986. On a pro-forma basis, the shares, at the placing price, are on a p/e of 9.96.

Anglesey Mining begins second phase planning

By Kenneth Gooding, Mining Correspondent

Anglesey Mining, which raised £5.6m with a share placing and offer for sale *six months ago*, said yesterday that its base metals project at Parys Mountain, Anglesey was "on budget and ahead of schedule."

Mr Hugh Morris, chairman and chief executive, was confident that the current momentum would be maintained. The project's first phase should be completed on time in 1991.

Planning had begun for the second phase, which would feature the construction of a surface ore concentrator and related facilities, further mine development and the begining of commercial production.

Anglesey is 60 per cent-owned by Imperial Metals, Canadian group. Current mineral reserves at Parys Mountain are estimated to be 4.8m tons containing 1.5 per cent *copper, 3 per cent lead*, 6 per cent zinc plus 57 grams per ton of silver and 0.4 grams per ton of *gold. This would* support a minimum mine life of 14 years if 350,000 tons of ore a year was processed.

In his first interim statement, Mr Morris pointed out that all *development costs of* the project were being capitalised. Interest income from term deposits was the only current source of income so no profit and loss account had been prepared.

During the six months to September 30 the company's working capital increased to £4.775m and it was benefiting from present high UK interest rates.

Strong demand helps Ritz rise to £650,000

Buoyant demand throughout its product range enabled Ritz Design Group to unveil a 40 per cent expansion to £650,000 in pre-tax profits for the six months to September 30. Turnover rose 25 per cent to £10.94m.

Ritz, which came to the main market in September, manufactures lingerie, blouses and nightwear with Marks and *Spencer accounting for some 70* per cent of sales.

Mr Richard Clemons, chairman, *said the underwear division* performed particularly well with sales 40 per cent higher. Demand for nightwear was increasing rapidly, but margins at the blouse division had come under pressure.

Earnings per share were 5p. A dividend of 2p is forecast for the full year.

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FINANCIAL TIMES SURVEY

Having suffered less than most counties in the recession, thanks in particular to the attractions of Milton Keynes, Buckinghamshire is now riding an economic boom and avoiding some of the development pressures affecting its South-East neighbours. Richard Donkin reports

Triumph in Metro-land

BUCKINGHAMSHIRE Man, if such a creature exists, is faced with an identity problem in this diverse county which boasts the fastest growing population in Britain. Is he the young affluent New Town pioneer of Milton Keynes? Is he the older affluent county stalwart in the rural area of Aylesbury Vale? Or is he part of the established affluence in the southern commuterland around Amersham, Chesham and Beaconsfield?

If Buckinghamshire Man is difficult to identify it is perhaps because, like the ducks in Aylesbury, he maintains a low profile lest too many people discover the lifestyle he enjoys. He does not generally lack *prosperity, or the means to* success within a county which suffered less than most in the recession and is riding an economic boom with fewer of the grinding pressures on planning and development affecting it neighbours in the South-East.

The only cloud on the horizon — that of skill shortages — though becoming a reality, particularly in the south of the county, has been with Buckinghamshire before, and few of its businesses are so labour intensive that the difficulty of attracting employees becomes an overriding economic factor — though it must be addresed.

The county is one of the fastest growing counties in Britain. Estimates in mid-1987 showed the population was 621,90 compared with 612,900 the previous year. The county's rate of growth between 1981 and 1986 outstripped every other in the country and was double the average for all shire counties in that period.

This *elongated county* — 60 miles from north to south and 15 miles across at its narrowest — is an economic canvass of such diversity that the vivid hues of Milton Keynes bear little relation to the pasture and pylons of mid Buckinghamshire and even less to the com*muterland and those* established communities and industries around High Wycombe to the south of the county.

In spite of this diversity the county maintains its independence through the isolation, to a certain degree, of its heartland. While a framework of motorways line its eastern and southern fringes, the county is not dissected by any important artery.

South Buckinghamshire relies for its communications on the M25 and easy access to the M4 and M3. Milton Keynes is heavily dependent on the M1, as of course is the rest of the county. For this reason the M40 extension to the M42 just south of Birmingham is a crucial development issue, almost as much for its consequential relief of traffic congestion on the M1 as it is for its improved links to the Midlands.

The county is presently awaiting the outcome of a public inquiry into the proposed 12½-mile M40 link between Waterstock and Wendlebury, in neighbouring Oxfordshire. The Department of Transport is proposing a £56m two-lane section which has been strongly resisted by the county council and business organisations which argue that three-lane capacity at an extra cost of £4m is essential.

This will not only allow for ease of maintenance, but should also absorb the extra traffic generated by those vehicles expected to divert from using the overloaded M1/M6 link. The motorway has become so congested that, at peak times, traffic volumes on the southern sections of the M1 confine progress to a 40mph crawl. A decision on the final M42 section is expected from Mr Paul Channon, the Transport Secretary, by the end of the year allowing the new London-Birmingham motorway link to open in its entirety in summer 1991.

Access to Heathrow airport is important for many of the businesses in the south of the county, though the option of a fifth runway for Heathrow is another live issue taxing the County Council: it is opposing the proposal.

Mr Ed Schoon, the chief county planning officer, explained that a fifth runway would not only cause noise problems for neighbouring communities, it would necessarily attract new industries to a part of the county where the authority is attempting apply the brakes to development.

The county's strategic plan is designed to protect the 500 sq km of metropolitan green belt at its border with London — part of the rural lifebelt established around the capital by the London and Home Counties Act of 1938. Green field development in the plan, presently awaiting approval by Mr Nicholas Ridley, the Environment Secretary, is to be channelled to Milton Keynes in the north and Princes Risborough and Aylesbury in mid-Buckinghamshire.

Most cherished of all are the Chiltern Hills, designated as an Area of Outstanding Natural Beauty, and one of the most attractive parts of the country within an hour's drive of the capital. Their very situation so close to the capital only underlines their environmental importance.

There is, however, scope for redevelopment of existing land in Buckinghamshire, achieved successfully in Aylesbury, for example, by Equitable Life, which moved its administrative operations there from London in the late 1970s and now employs 870 administrative staff.

The large blue glass Equitable Life office on Aylesbury's ring road, built on the site of a former garage, characterises the opportunities available in the county. The high reputation of the county's schools has provided a rich source of recruits for such companies.

In observing the new it would be an injustice to overlook the established industry, particularly in the south of the county which has long been used to economic stability. High Wycombe has been the centre of Britain's furniture industry since the 17th Century when chair-making businesses developed there to take advantage of the swathes of unexploited beech wood.

At one time it would have been impossible to write of Buckinghamshire without mention of Slough, the subject of John Betjeman's cruel ode: "Come friendly bombs and fall on Slough." The town was hived off from the county in the 1974 local government reorganisation, perhaps in the recognition that economic development had swung to the brave new world of Milton Keynes, the butt of so many jokes, which on today's evidence appears as if it will have the last laugh.

Anyone who hasn't yet been to Milton Keynes should go there to witness a lifestyle quite unlike that in any other city in the UK (although Milton Keynes has neither the cathedral or the charter to call itself a city, it does so none the less, backed by its population which now stands at about 140,000). Its grid-iron streets conforming rigidly to the plans drawn up when it was first designated in 1967, are lined with rows of parking spaces designed for convenience living. Once a visitor has overcome the culture shock of confronting what looks like a part of the US in the heart of England it becomes apparent why companies which have moved into Milton Keynes cre*ated 8,420 new jobs* between April 1987 and April 1988, a record net growth, and contributed to 25,000 new jobs in the city over the last five years.

New records are set continually in Milton Keynes. Last year it attracted £190m investment from private industry and there is much more to come. The Development Corporation says that 46 per cent of the green field land (3,000 hectares) still awaiting development.

The city supports about 2,800 businesses, 1,500 of which were brought in by the corporation. Some 232 companies are foreign owned (88 US, 28 Japanese). Provision of a school for Japanese children has helped the city build the largest concentration of Japanese companies in the UK outside London.

The corporation strictly adheres to the original plan — no high rise buildings, no use of aggregate concretes on exteriors — yet paradoxically it maintains that planning permission is not difficult to obtain.

There are those in Milton Keynes who would say privately that the lack of locally-*elected councillors to overview* planning applications has something to do with this.

The city absorbes about 1 per cent of the national house building total. About one in 25 new houses built in the South East is built here.

With that kind of building record it can be seen how Milton Keynes acts as a pressure valve for land development in Buckinghamshire. Mr Schoon said some people in Buckinghamshire would take issue with the argument that every

Continued on next page

One of the haunts of Buckinghamshire Man: Church Square in High Street, High Wycombe

Pictures in this survey by Trevor Humphries

Buckinghamshire

Milton Keynes is the standard bearer of . . .

A burgeoning economy

MILTON KEYNES will lead Buckinghamshire into the 21st century as the standard bearer of a burgeoning economy. By the year 2000, its population is expected to have grown to 200,000, making it the one of 15 largest cities in the country.

The success story of the city, brainchild of the former Aylesbury county planner, Mr Fred Pooley, is an essential ingredient of Buckingham's economic growth in the last 20 years.

Milton Keynes was still in its infancy when the county lost its other large town, Slough, to Berkshire in the 1974 local government reorganisation. Overnight the county lost 18 per cent of its population and 25 per cent of its rateable value.

The move, however, recognised the growing importance of what was the last of the designated New Towns. Milton Keynes' proximity to the newly established M1 motorway provided the umbilical cord through which the embryonic town grew from its population of 40,000 in 1967 to 140,000 today.

Detractors point to the city's lack of character, tradition, and history. There appears to be no focus to the city centre and a newcomer can easily become confused among the boulevards' conformist chequer-board pattern layout. Asking anyone the way can prove impossible since walkways are divorced from the roads as much as possible.

Such observations in isolation would be unfair. The Development Corporation's rigid adherence to Pooley's dream means that the city's very distinctive design is moulding its own character.

If the city lacks heart it is something which will be spectacularly addressed over the next three years. Already established is a 10-screen cinema called The Point, and early next year Mr Richard Branson's Virgin Group will embark on its planned £50m leisure complex, including a 700-seat auditorium with Covent garden-style shops, apartments and restaurants on a five acre site.

Lord Delfont's First Leisure company is to build an ice-rink, 10-pin bowling alley, discotheque and restaurant called the Leisure Plaza near the central railway station. The complex should be completed in 1990. First of the new generation of leisure complexes, however, is the £3.5m nightclub, restaurant and health club to be opened in November and December by Living Well Health and Leisure. The developments will add spice to a 1m sq ft shopping development which already attracts 250,000 shoppers a week.

The outsider could be forgiven for believing that Milton Keynes is a somewhat secular society but plans for a central Ecumenical Church, something which has always featured among the corporation's aspirations, are well advanced.

The city's population growth has posed an economic problem for Buckingham County Council which has seen the base population on which its rate support grant is calculated continually outstripped by real increases.

Rates in the present financial year have risen 9.2 per cent on 1987/88 to 227.7p, reflecting a reduction in the block grant from central government from £31.8m the previous year to £26.7m this year. Even though the increase is ahead of inflation it is not as heavy as the 30 per cent rise imposed in 1986/87.

In 1985-86 the Government's block grant met 26 per cent of the Council's overall expenditure. By 1988-89, this figure was reduced to 9 per cent.

While, as in all authorities, education absorbs the lion's share of the budget, £21.2m is committed to highways development including work on the Amersham by-pass and Chesham relief road, both important infrastructure projects for the south of the county.

Plans to pedestrianise the Aylesbury High Street give a further hint of the pace of development in the county town which, while retaining its central character, is attracting a growing number of intelligent industries on the periphery. Equitable Life Assurance, for example, has its administration offices here. Target Life Assurance is also based here as is an international branch and the regional offices of Lloyds Bank employing nearly 250 people.

It should not be overlooked that much of the county retains its rural heritage although the grade three agricultural land is used mainly for dairy farming. The real wealth is concentrated in its industry and if the new money is in the north the old money is still in the south.

The Thames Chiltern Chamber of Commerce and Industry (CCI, to use its new logo) says that unemployment in Aylesbury and Wycombe is 2.8 per cent compared with 4 per cent county wide.

"Taking into consideration the number of people between jobs it means that these areas have virtually zero unemployment. There are far more vacancies than applicants on the register," said Mr Richard Cross, the chamber's deputy director.

The skill shortage is the number one problem, exacerbated by high house prices but neither of these ills is peculiar to south Buckinghamshire. "They are a demographic fact of life," said Mr Cross.

Fortunately for the county it has few labour-intensive industries. Of Thames Chiltern CCi's 2,500 members, 75 per cent employ fewer than 100 people.

Richard Donkin

INDUSTRY AND COMMERCE

Attractive location for old and new

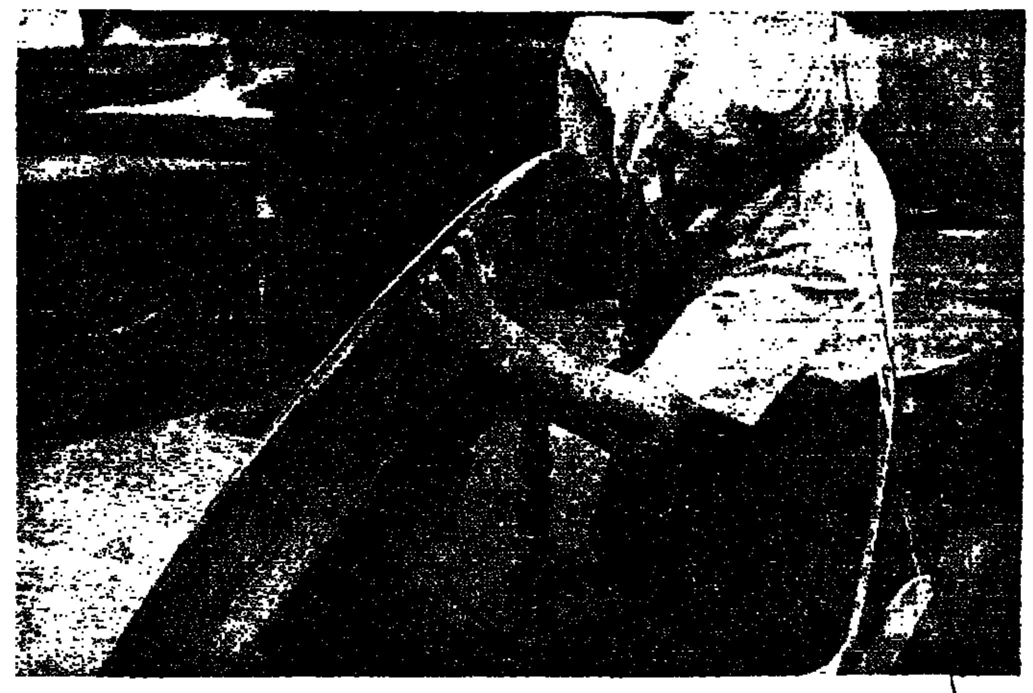
BUCKINGHAMSHIRE'S industry must acknowledge the contribution made by the furniture industry.

High Wycombe is the traditional home of the industry with names such as Ercol, G-plan and Parker Knoll all to be found here among some 150 furniture companies in the area employing close on 4,000 people.

The industry was established primarily on chair-making afforded by High Wycombe's beech woodland. Most companies, according to Mr David Freeland, national secretary of the British Furniture Manufacturers' Association, started as one-man operations.

He said: "They tended to grow from designer/craftsmen making furniture in their garages and back gardens and most are still owner-managed private companies."

Mr Lucian Ercolani, chairman of Ercol, which employs nearly 750 people at its High Wycombe factory, said locally grown beechwood was still extensively used in the manufacturer of its high quality furniture.



Furniture manufacture: a traditional industry which has adapted successfully to new technology

An example of how one of the traditional Buckinghamshire industries has successfully adapted to high technology production methods is Deans, of Wooburn Green near High Wycombe. The firm established in 1947 by Mr Bill Deane, making bedside lockers in a Nissen hut in his garden, has grown to become one of the area's most advanced business furniture companies with a 150-strong workforce.

Furniture, like most other industries in South Buckinghamshire has suffered from skill shortages and high labour costs but increasing mechanisation is helping to make the industry less labour intensive and 80 per cent of furniture companies employ fewer than 100 people.

The restraint on development in the South of the county has led to a number of novel solutions. Marketing Spectrum, a Marlow-based advertising, public relations and exhibitions group, moved into a local church when expansion plans forced the company to look for larger premises.

The company is spending more than £250,000 transforming Old Trinity Church – designed originally by Sir George Gilbert Scott, the Victorian architect responsible for the Albert Memorial and the red telephone box. The new suit of offices in three-quarters of an acre is typical of the sort of industry attracted by ease of access to the M4, M40 and M25 motorways.

The growth of information technology industries along the Thames Valley is reflected in the decision of Rank Xerox and Dun and Bradstreet International to base their operations in the county.

Rank Xerox, the Anglo American photocopier and office furniture group, established one of the most advanced office environments in Europe when it opened its 250,000 sq ft international headquarters at Parkway, Marlow, in 1987.

Key factors in the decision to settle there were the advanced telecommunications facilities available in the area and the high density of technology related companies already situated in nearby in what has become one of Britain's silicon valleys.

Dun and Bradstreet International, the business information group, is siting its new £31m European headquarters on a 12-acre site at Booker, High Wycombe, where it expects to employ about 800 people when the three-phased move is complete in early 1990. The development, being carried out by Tarmac Construction, will allow relocation of the European headquarters from Denham, in Buckinghamshire, next Spring, transfer of the UK operations from London at the end of 1989 and the transfer of its computer centre from Harefield, Middlesex early in 1990.

Good rail links in the south of the county, particularly the Metropolitan line on the London underground running out to Amersham, have allowed businesses in the area to forge close links with London. Amersham International, the health care and medical research products group, has its headquarters in nearby Little Chalfont. The company is one of the county's largest employers with nearly 1,500 staff.

While the agriculture has the most visible presence in the Aylesbury Vale district modern industrial estates at Aylesbury have attracted many companies to the area. Such established names as Carreras Rothman, CBS records, Cadbury-Schweppes, Nestles and the Bifurcated and Tubular Rivet Company are located there.

CBS came to the area in 1964 when it bought Oriole records at Aston Clinton. Its Aylesbury factory, opened in 1970, now employs 700 people and manufacturers 56m records a year and 26m cassette tapes.

Printing is one of the older established industries in the area. Hazel, Watson and Viney, the printers, are one of Aylesbury's oldest established companies. Prominent within the rural area is the London Brick Company at Calvert.

Excepting the provision within the structure plan for some greenfield development around Aylesbury and Princes Risborough, new industry is being channelled wherever possible to the north of the county. The Milton Keynes Development Corporation has successfully attracted international investment in the city – Volkswagen and Mercedes Benz both have their UK headquarters there – but the flowering of home-grown businesses is another part of the success story.

Peat Marwick McLintock, for example, is handling the share launches of three Milton Keynes companies which have decided to go public. Erostin, the property development company, has already done so and Bletchley Motors, car dealers, and Dawsongroup, commercial vehicle dealers, are following hard on its heels.

Richard Donkin

Local authorities have been urged to attract more visitors to create wealth and job opportunities

County wakes up to its tourism potential

THREE million people visit the Black and Langley country parks in Buckinghamshire every year, making the county a major leisure operator. The visitors considerably outnumber the 185,000 people who went to Bekonscot model village in Beaconsfield, which last year reached the eight place in the top twenty attractions for the Thames & Chilterns Tourist Board region.

The discrepancy reflects the still largely undeveloped tourism industry in Buckinghamshire, which has managed nevertheless to do well out of the general increase in overseas tourism brought about by the Tourist Board's aggressive marketing overseas.

The Thames & Chilterns region, covering the counties of Bucks, Beds, Berks, Herts and Oxon, is not a particularly important holiday destination for British people, but it attracts a major share of the overseas tourist trade, Royal Berkshire provides the chief attractions, but Bucks more than holds up its own.

In 1987, the region attracted more than 1m overseas visitors, who stayed on average for 12 nights, and spent £314m between them. The share for Bucks was £50m, an increase of 85 per cent over the 1986 figure, with 170,000 overseas visitors staying for 1.8m nights.

Apart from the popularity of the country parks, it is difficult to get at figures about tourism in Buckinghamshire, largely because the county has only recently woken up to the potential. The district councils on the other hand, have accepted willingly that tourism is rapidiy becoming a major domestic industry.

Consultants employed by Milton Keynes Borough Council last year found that out of a total of £10.5m spent by domestic and overseas tourists in England in 1986, Buckinghamshire's share was 130,000 tourist trips, 1.3m tourist nights and expenditure of £24m. The borough is now embarking on a programme to translate the consultants' recommendations into action. Chief among the ideas is that the city should promote more shortbreak holidays, business tourism, attractions for day trippers and overseas visitors.

The county's response lags behind. Its interest in tourism was inspired by the Young report, *Pleasure, Leisure and Jobs*, which concluded in 1985 that local authorities should do more to promote tourism because of its wealth and job creation opportunities.

Bucks is gradually coming to terms with the idea. But a flavour of the prevailing attitude was offered in a report to the countryside committee last December. Close liaison was essential, said the report, to ensure that county initiatives took into account the need for effective tourism and management "in those areas vulnerable to increased numbers of visitors."

Sue Jordan, appointed as the first county tourism officer in October, accepts that so far there has been an ostrich approach to tourism with a communal burying of heads in the sand. But, she says, it is now recognised that tourism will not go away even if you do not promote it, and ignoring it will ultimately produce discontent particularly among residents.

Her post is jointly funded by the Tourist Board, to which Bucks County Council recently affiliated, the county and the five district councils. Between them, the seven bodies are providing £30,000 a year for three years to pay Ms Jordan's salary and provide her with a car, and to fund approved tourist promotion initiatives.

The Swan, Milton Keynes village: typical of the county's features attractive to overseas visitors

The budget is low mainly because Bucks is looking to the private sector to do most of the development, although partnership between public and private sector interests is seen as having a key role. The county expects commercial sponsorship to be an important element of the budget, and sees its own role chiefly as encouraging the best management and increasing awareness of the available government grants for boosting the domestic tourist industry.

One of the key areas under this last heading is grants from the Ministry of Agriculture to help farmers diversify. They can be helped, for example, to set up bed and breakfast or self-catering accommodation, and start kinds of farm-based tourism, including horse-riding, farm walks and certified camping and caravan sites.

There has already been considerable interest in developing that kind of tourism as farmers find their incomes diminishing as holdings become less viable. One tenant farmer wanted to start an inventing course on his land, but the capital outlay required proved too much. But with 2.500 miles of public footpaths and bridleways in the county, the potential to develop this side of tourism is clear. A definitive footpaths map showing them all is being updated for both local and tourist use.

Bucks has many other attractions with which to develop its tourism and there is a firm expectation that both the range and quality will be widened, with a resulting increase of jobs, particularly for young people.

A new country park is being developed in a "quiet spot" between the M4 and M25 on the site of a former gravel and clay pit. It will be smaller than *Black and Langley Parks*, which have 600 acres between them, but it will cost only £100,000 to develop and the running cost is cheap. The net cost to the county of all its countryside initiatives will be £327,000 this year.

The county boasts a number of historical, literary and industrial attractions. William Penn held the first meeting of the Quaker movement at Old Jordans, a 17th century farmhouse now owned by the Society of Friends and run as a rest centre. Penn is buried there. Hughenden Manor was the home of Benjamin Disraeli for 40 years until his death in 1881.

The Transcendental Meditation Movement now owns Mentmore Towers, built in 1851 for Meyer Rothschild by Sir Joseph Paxton, creator of Crystal Palace, and one of three Rothschild mansions in the Vale of Aylesbury.

Waddesdon Manor was built as a French-style chateau for Baron Ferdinand de Rothschild in 1874 to 1889, and Ascott House, near Wing, was enlarged for the Rothschilds in the 19th century and the family still lives there.

John Milton fled the plague of London in 1665 to go to Chalfont St.Giles where he completed Paradise Lost and began Paradise Regained. His cottage is open to the public. Shelley, T.S. Elliot and G.K. Chesterton all lived in Bucks. The county also has a number of speciality attractions, including the furniture museum of High Wycombe; the Quainton Railway Centre, which maps the progress of the railways, and a home movie museum at Buckingham.

Add to these some of the most outstanding areas of natural beauty in the Chilterns and the Thames Valley and it is clear that there should be a large potential for tourist growth. Last year there was a 19 per cent increase in bed spaces available in the county, and more are needed. But the county has good transport links and hotel accommodation.

Bucks has identified several areas where tourism can be pushed. But througiout, the emphasis will be on preserving the best while making it attractive to tourists, without becoming a nuisance to the local population.

Pat Healy

Triumph in Metro-land

from previous page

county should have a Milton Keynes – it is still resented in some quarters – but he admitted the city's enormous contribution to the county's economy.

It was always the Government's intention to wind up the Development Corporation in 1992, a proposal the county council will be vigorously resisting.

Mr Charles Garratt, chief executive of the county council said: "The county council believes this is too early. Another three to four years would see development of the city further along the road. If it does come to an end in 1992 we would want to see some continuity in the policies that have led to the development of the city on such careful lines."

In the south, like Betjeman, the county council appears relieved that the Metropolitan line, allowing commuting by the Tube into the heart of London, stops at Amersham. To quote the poet's own vision in Metro-land: "The houses of Metro-land never got as far as Verney Junction. Grass triumphs. And I must say I'm rather glad."

Buckinghamshire in profile

	Labour catchment 1988	Catchment % growth 1981-88	unemployment % Aug '88	Av.House prices 1987
Milton Keynes	209,856	29.50	6.10	62,900
High Wycombe	282,496	0.80	3.0	86,800
Aylesbury	120,170	11.30	3.00	69,100
Amersham	102,295	-1.60	3.00	86,900

Total county population (1988) 616,230.

Source: Property Intelligence, Town Focus Plus (01)539.7884

ملاحق الأصل

Grammar schools, comprehensives, the Open and Buckingham Universities give the county . . .

An exceptionally-wide education mix

EDUCATION in Buckinghamshire is a mass of contradictions. It is the home of both the biggest and most accessible higher education institution in Britain, with the Open University based at Milton Keynes, and of Britain's only private university at Buckingham.

It maintains a system of grammar schools in most of the county, with Milton Keynes alone running a comprehensive system. And the results, according to Mrs Gill Miscampbell, chair of education, are an example of excellence which should mean that noone needs to send their children to private schools.

That may come as a bit of a surprise to Wycombe Abbey, one of Buckinghamshire's more famous public schools, but is indicative of the confidence the county exhibits in its education system.

There is a similar confidence in the higher education institutions, too. Although the University of Buckingham has not achieved its aim of over 3,000 students, it has established itself as a recognised institution with a Royal Charter granted five years ago enabling it to award degrees.

More than 700 students attend the university, paying tuition fees of £5,700 a year. Though small by most university standards, and certainly set against the 150,000 students enrolled at the Open University, Buckingham has one unique advantage for serious students in a hurry.

Mass spectrometry analysis in the Open University's earth sciences research laboratory

By operating a four-year term, it can award degrees in two years which makes it particularly attractive for the overseas students who make up two-thirds of the total. They can get a recognised degree in Britain more cheaply and quickly at Buckingham than through the more orthodox three year courses offered elsewhere.

Buckingham is acknowledged to have strong accountancy and law schools and, unlike the Open University which frequently has to justify itself as a spender of public resources, is confident of its financial future because of its independence from the state.

The OU, the biggest employer in Milton Keynes with 2,500 staff, offers a wider range of courses, but students take on average five or six years to gain a degree. Employers regard it highly: of the 20,000 students registered with the Open Business School since it opened in 1983, 80 per cent have been sponsored by their employers. Next year, the school will offer an MBA degree and has expanded so quickly that it moved this summer to temporary premises in Stony Stratford where there are also offices of the OU Press.

Bucks county believes it provides the kind of education that enables the maximum number of children to enter further and higher education, including its two unique higher education institutions.

The county fought a fierce and prolonged battle in the 1960s to retain its grammar schools and now operates a selective system throughout the county except in Milton Keynes. Mrs Miscampbell denies that the result is that the comprehensives are not true examples of their kind. That would be true, she says, if the grammar schools were operating within the same catchment area, but they don't.

"What is hopeless is if you introduce a grammar school in Milton Keynes and then call everything else comprehensive."

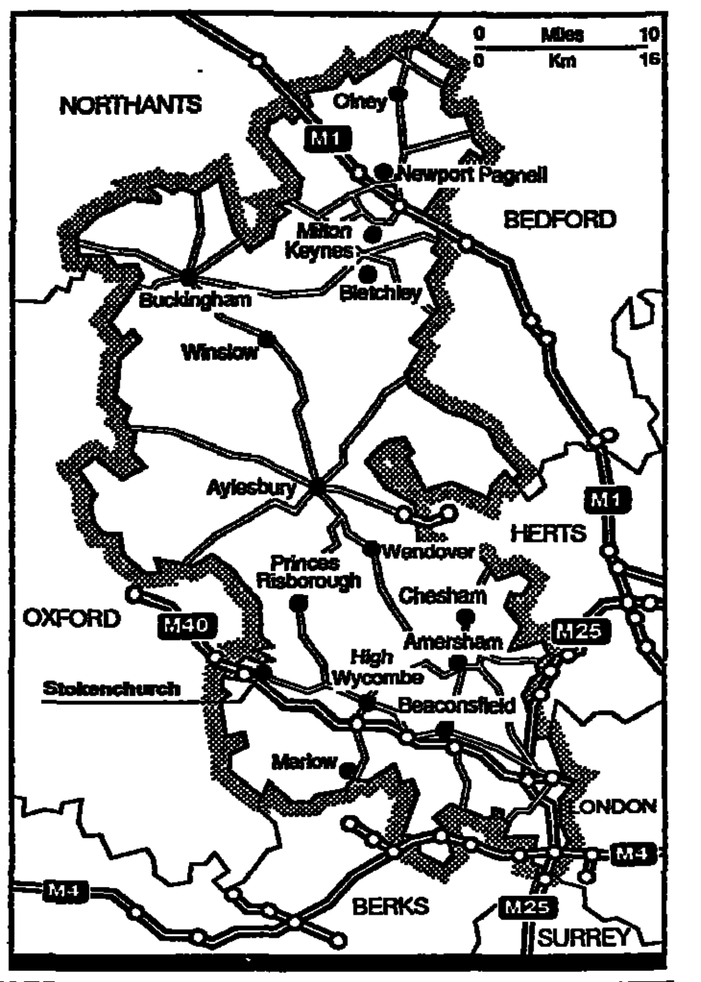
Peter Mooney, chief education officer for schools, says there is no groundswell of opinion for change in the county. A proposal to introduce selective education in Milton Keynes was considered last year, but abandoned in the face of unanimous opposition from both the headteachers and chairs of secondary school governing bodies in the city.

Mrs Miscampbell believes there is widespread satisfaction with the existing system. The county calls its secondary modern schools "upper schools" and gives them the same resources and the same teaching ratios as grammar schools, but the lion's share of capital resources since they take 70 per cent of the age group.

Some of the upper schools have full sixth forms; others are encouraged to develop one-year sixth forms as part of the Technical and Vocational Educational Initiative (TVEI) programme which links up with local further education colleges. There is also a big transfer at 16+ from the upper schools to the grammars.

The results include both a higher proportion of pupils leaving education with 3 or more A Levels and a lower proportion leaving with no examination grade higher than CSE Grade 2.

Within those totals, Buckinghamshire's grammar school pupils perform significantly better in academic terms than the average for all English grammar schools, while the county's comprehensive schoolchildren fare marginally worse than the average. "Upper school" students achieve slightly better exam results than secondary modern school pupils in England.



A closer look at Bucks figures on all fifth-form school leavers throws up a slightly different picture, though. Last November, 27 per cent of the age group in Milton Keynes left to take up jobs and 29 per cent stayed on at school. Only 10 per cent entered further education, the lowest proportion in any of Bucks' four districts.

In the Chilterns and South Bucks district, 24 per cent left for jobs, 37 per cent stayed on and 24 per cent went into further education. In Aylesbury Vale, 28 per cent took jobs; 35 per cent stayed on and 14 per cent went into further education. In High Wycombe, 35 per cent took jobs, 28 per cent stayed on and 19 per cent went into further education.

Milton Keynes is the only part of the county where new schools are having to be opened to make room for a growing child population. For the rest of the county, a Falling School Rolls Panel operates to close down schools, often in the face of fierce resistance from parents.

The review of schools has enabled age ranges to be changed in some areas to conform with the norm for the county of first schools for pupils aged 5 to 8 and junior schools for the 8 - 12 year olds. But those age ranges pose a particular difficulty for the county in responding to its new duties under the Education Reform Act.

The county believes it provides the kind of education that enables the maximum number of children to enter further and higher education

Pupils in the top year at Bucks primary school should be taking the new National Curriculum laid down by the Act, but there are shortages of primary school teachers for some subjects, particularly science and French. Most of the secondary schools are already following courses similar to the core curriculum, but capital will need to be spent on providing new science and language laboratories to meet the new requirements.

The Act is estimated to cost an extra £6.5m a year on a budget of over £162m. Most of that will be spent ona substantial training programme to enable teachers to carry out the new monitoring and assessment tasks.

Again, the county believes it will manage; it has run a major inservice training programme over the last four years in the build up to the new GCSE exam, and found that teachers responded "tremendously" to the opportunities offered.

The biggest problem will be attracting new teachers to an affluent county where the cost of housing is high. Mrs Miscampbell puts her faith in the narrowing of the differential with other parts of the country and points out that in Leicestershire and Northampton are starting to rise.

Pat Healy

**Bucks has 296 first, middle and combined schools catering for 58,625 pupils up to the age of 12; 8 comprehensives, 26 upper and 14 grammar schools provide education for 34,411 pupils aged 12 to 19. There are also 20 special schools and centres for 1,500 pupils with special education needs; 250 pupils with special needs attend other local authority and independent schools and 700 with special educational needs attend mainstream schools. Four colleges of further and higher education have 5,200 full time and 12,900 part-time students and 45,000 attended classes at 30 adult education centres.*

Keith Bennett's "Stockings Farm", near Amersham: over the last decade the county's sheep flock has nearly doubled

AGRICULTURE

Survival of the fittest

ONLY ONE of Bucks county's 200 tenant farmers has applied for the first allocation of "set aside" payments to take land out of cereal production and thereby help reduce the European food surpluses. The tenant intends to allow a field to lie fallow next year instead of growing grain.

There is little sign of interest either from private farmers, although the official view is that a "significant number" of applications have been made in the Oxford division through which both the Ministry of Agriculture and the National Farmer's Union oversee Buckinghamshire's farming affairs. That is perhaps surprising when farmers have switched heavily into wheat production in the last decade.

In 1977, 22,402 hectares in the county were under wheat; last year it had grown to 34,682. But the yield for cereal producers is widely acknowledged to have been disappointing, particularly in the last two years. Nevertheless, Mr Bill Goldsworthy, local NFU county secretary, was convinced set aside would not attract many Bucks farmers even before the Government announcement in October that only 2,000 farmers in the UK had taken up the offer.

The lack of interest reflects both the general view among farmers that the compensation for not growing grain is insufficient, and the mixed character of agriculture in the county. There are only a few larger units devoted mainly to cereals, and a higher than average proportion of the land is low grade.

Less than 9 per cent of Buckinghamshire's agricultural land is in the top two grades, compared with an average for England of nearly 20 per cent. There is extensive clay in the Aylesbury Vale area to the south of the county, and farmers have traditionally concentrated on livestock and dairy farming.

The changing climate for agriculture, including the demands of the Common Agricultural Policy, had already affected farming in Bucks before the set aside scheme was introduced. The milk quotas have led to reductions in the dairy herd and an increase in livestock, particularly sheep, which is producing its own problems.

Agricultural land values have fallen substantially in recent years because of the general problems facing the industry. But there are now signs of a resurgence of interest, induced possibly by the need to offset taxation.

As in other Home Counties, the numbers of farmers and farm workers are falling, with sons and daughters no longer content to carry on the family tradition as margins diminish. But the major worry for most Bucks farmers now is the impending change in the structure of beef and sheep support schemes.

Over the last decade, the number of sheep and lambs in Bucks has nearly doubled. But the new stabiliser system is seen by Bucks farmers as a threat to their ability to plan ahead on the basis of a reasonably assured income. Many believe it will bring another drop in their incomes, and there is resentment that the new system will not reward output and quality.

Mr Goldsworthy points out that lowlands producers will get the same headage price as those in poorer areas, and that there are already grumbles about delays in payments. Taking lambs to market by the summer used to mean early payments for farmers, who were able to calculate their likely incomes over the year. And they believe the present system helped family budgets, too, by producing lower meat prices in the shops.

Mr Goldsworthy sees little sympathy with the farmers' worries among either local MPs or the Government, whose attitude is seen to be to encourage the survival of the fittest. But he believes the tenacity of the Bucks farmer will pull him through. "They wouldn't have survived as well as they have if they weren't fighters," he says.

That is a view shared by Mr Stuart Farrant, county valuer and estates officer for Buckinghamshire, who says that farmers "are not suffering unduly and are surviving much better than they might have anticipated." He also believes that Britain's set aside scheme is not very attractive and rates the potential for getting a decent return from it as "virtually zero".

But then, he does not accept that over production is now a problem because European Community surpluses have gone down. But, he says, the world is changing all the time and he would like to see stronger moves towards reducing the nitrogen and pesticides in use on Britain's farms.

Bucks farmers are feeling the pinch with grain prices unchanged for several years and holdings becoming less viable. There is a move towards larger units, and the county has noticed a "very slight" increase in the number of its own tenants quitting because of financial difficulties. There have also been fewer requests from tenants for new capital improvements, but Mr Farrant is "confident that they will come out the other end."

Agricultural land values *have fallen substantially* in recent years because of the general problems facing the industry. But there are now signs of a resurgence of interest, induced possibly by the need to offset taxation. This year Bucks expects to raise £40m from land sales, of which only about 1 per cent will be from agricultural land, including barn conversions.

The county's own estate of 13,500 acres has an agricultural value of little more than £10m – way below the development land value because the estate is subject to tenancy. Residential land sells at well over £1m an acre and development sites sold recently to make way for superstores in Aylesbury and Amersham have raised more than £3m an acre. Bucks now sees its ownership of farm land as primarily meeting an environmental function, enabling it to control development better in the face of growing demands for urban development because of the rapidly rising population.

Bucks own holdings have been boosted by the inheritance from the former Greater London Council of the 1,000 acre Denham estate in a key part of the Green Belt. The Denham holdings are mainly horticultural and need a "bit of sorting out" because they had been poorly managed. But Bucks has already raised rents by between 35 and 40 per cent to bring them more into line with the other county tenants whose rents are reviewed every three years. The county's income from farm rents has previously remained static at around £625,000 a year.

Pat Healy

COMMODITIES AND AGRICULTURE

Coffee quota rise triggered

THE INTERNATIONAL Coffee Organisation yesterday increased its total world export quota by 1m bags to 57m bags (60 kg each), writes David Blackwell.

The increase, which has been expected for some time, was triggered by a rise in the ICO 15-day indicator price to more than 114.40 cents a lb. The indicator, an average of world arabica and robusta prices, was announced yesterday as 114.41 cents a lb, up from 114.32.

The 1m bag increase will be in top quality arabica coffee, much in demand in the West, because the difference between the ICO indicators for robusta and arabica coffees (93.25 and 135.57 a lb respectively) was more than 30 per cent of the arabica indicator.

A further increase of 1m bags could be triggered in the current October/December quarter (the first in the coffee year) if the 15-day average remains above 114.40 in the next 15 working days. The first such increase could come on December 21, but the rules set under the complex quota agreement struck in September change in the New Year.

Ironically, the rise in the 15-day average was driven by the robusta market, which is suffering from tight supplies from Africa. Yesterday the January robusta contract on the London Futures and Options Exchange (Fox) closed at £1,110 a tonne, a rise of £14.

In the New Year, the rules aim to bring prices into the 120 to 140 cents a lb range which the ICO is trying to defend for the remainder of the coffee year. It appears certain that quota cuts will be quickly triggered, but these will affect only robusta coffee if the arabica indicator remains above 130 cents a lb.

'Greenhouse' threat to world's food security

By Bridget Bloom, Agriculture Correspondent

WARNINGS THAT the world could face prolonged periods of instability in agricultural commodity markets and problems of food security which could dwarf security problems in the military field have been issued this week from research organisations based in London and Washington.

The Economist Intelligence Unit in London and The Worldwatch Institute, the Washington environmental research body, note in separate reports that the effects of global warming – caused by a build-up of carbon dioxide and other gases in the world's atmosphere – could lead to major shifts in patterns of agricultural production, erratic harvests and food shortages.

Both organisations warn of the possibility of a second US drought next year which could – Worldwatch says – dwarf the economic effects of the oil price hike of the 1970s."

"If the international community is not able to forge a co-operative strategy to reduce. . . the warming, food security could replace military security as the dominant issue of the nineties and beyond," Worldwatch says.

Both reports take as their starting point the harm done to the atmosphere's ozone layer by the continued emission of toxic gases – the so-called greenhouse effect – although neither believes that either this year's US drought or the freak weather in other parts of the world can be directly attributed to this.

However, according to Worldwatch, world temperatures could be raised by between 1.5 and 4.5 deg C (2.7 to 8.1 F) within 40 years, with the effects being felt least on the equator, and most in the middle latitudes which are today's grain belts.

This seems bound to reduce the North American grain harvest, particularly because maize, which accounts for two thirds of the US grains crop and one eighth of world crops, is particularly susceptible to drought. Worldwatch notes that the three warmest years of the last century have all occured in the 1980s with each drop in US maize production – 17 per cent in 1980, 28 per cent in 1983 and 34 per cent in 1988 – worse than the last.

The 1989 grain crop could be a bin-buster, Worldwatch says. But it could also be smaller than 1988. In the event of another disastrous drought, US grain exports would slow to a trickle. The world would face a food emergency for which there was no recent precedent. There would be a frantic scramble for the available supplies as world grain prices soared to record levels while "affluent countries might be forced to consider cutting their use of feed grain so that poor nations did not starve."

In its report, the EIU takes a rather less gloomy view, particularly noting that world food supplies could be more efficiently used: there could for example be better conversion of grains into meat in many countries.

The unit's report warns, however, of the dangers of deforestation in the world's ecosystem. Not only does the clearing and burning of forests release "greenhouse" gases but the absence of trees removes a vital means of storing carbon dioxide via photosynthesis.

The EIU believes that the "alternation of years of very high yields boosted by scientific advance and very low yields pulled down by greenhouse weather promises a period of prolonged instability in agricultural commodity markets the like of which we have never seen."

EIU World Commodity Outlook 1989. £95 from EIU offices in London, New York and Tokyo. WorldWatch Magazine November-December issue. $5 1776 Massachusetts Ave, Washington DC.

Paris denies Ivory Coast cocoa deal

By George Graham in Paris

FRENCH GOVERNMENT officials yesterday categorically denied that they had reached an agreement on financing the purchase of an estimated 400,000 tonnes of the Ivory Coast's cocoa, most of it to be stockpiled.

Cocoa traders have become increasingly insistent in recent days that the deal has already been struck, but government officials said that if any market intervention operation was underway it was entirely at the Ivory Coast's own initiative.

The French Government has been taking a leading role in talks aimed at solving the Ivory Coast's mounting financial problems, which stem only partly from the low price of cocoa, its major cash crop.

Cocoa is expected to account for only a third of the deficit in the Ivory Coast stabilisation fund, likely to double this year to over 100bn CFA francs (£180m). The fund, which as recently as 1986 made a contribution of 140bn CFA francs to government finances, is thought to be in deficit on all products except possibly rice.

France has been unwilling to negotiate alone with the Ivory Coast, insisting on the involvement of the World Bank and the International Monetary Fund. The IMF, however, has insisted that President Felix Houphouet-Boigny soften his refusal to cut producer prices for cocoa, as part of a structural adjustment programme.

Scrap seen as growing source of platinum

By Kenneth Gooding, Mining Correspondent

SCRAPPED EMISSION control catalysts will become the fourth-largest source of platinum in five years time, ranking behind only the major producers – Rustenburg, Impala and Western Platinum – suggests Shearson Lehman Hutton's annual review of the industry.

A disciplined structure for the return of scrap from this source has now developed after initial teething troubles and Shearson predicts supplies will grow at an annual average of 14 per cent from 150,000 ounces this year.

"This is a price-elastic source of supply but at $500 an ounce and above the operation is lucrative, so no slowdown should develop in this sector," Shearson says.

The scrap from catalysts will contribute to a surplus of supply over demand forecast by Shearson to be about 627,000 troy ounces in 1993. Whether this can be absorbed by investors depends heavily on the recently-launched platinum coins: the Koala from Western Australia's Goldcorp and the Royal Canadian Mint's Maple Leaf, it adds.

Shearson suggests that, if the market is to be kept in balance between 1989 and 1993 inclusive, investors will have to absorb 2.31m ounces of platinum, or 12 per cent of total supply, an average of 462,000 ounces annually. Over the past four years they have taken about 2.05m ounces.

Shearson says that in 1989 and 1990 investment activity should easily absorb the available platinum. However, if the investment momentum is lost thereafter, the likely result will be either a natural erosion of prices or that some planned South African expansion will be delayed or abandoned.

Shearson predicts the platinum market will expand strongly in both supply and demand. In the short term, tightening supplies should see platinum prices in 1989 range between $500 and $675 an ounce and average about $564 an ounce compared with an average of about $530 an ounce this year, Shearson suggests.

● The platinum price rose strongly again in London early yesterday to reach $610.50 an ounce, having moved up from $589 on Monday. However, some profit-taking in New York later in the day caused the London price to ease back and it closed at $608.75 an ounce, $7.75 up from Wednesday's level.

"Annual review of the world platinum industry," £150 or $300 from Shearson Lehman Hutton, 1 Broadgate, London EC2M 7HA.

Jury still out on EC farm reform

Bridget Bloom concludes our series on budget "stabilisers"

OVER THE last few months, an already familiar refrain within the European Community establishment has become more insistent.

Four years into the reform of the common agricultural policy, the European Commission insists its CAP reforms are proving a success and must be taken into account as the world tries to negotiate more rational farm policies within the General Agreement on Tariffs and Trade, whose mid-term review of the Uruguay Round opens in Montreal on Monday.

The refrain was repeated in London this week by Mr Frans Andriessen, the Farm Commissioner. The EC could not accept the US goal of ending all farm subsidies by the year 2000, because that would create insurmountable economic, financial, political and social problems for the Community.

Common Agricultural Policy reforms, however, had established the EC's credibility. It would be prepared to extend the scope of negotiations within the Gatt, but only if its achievements were taken into account and if others moved in the same direction, Mr Andriessen said.

How valid is this Commission judgment of success so far?

Only one conclusion can be confidently drawn at this stage: thanks largely to factors outside the Community's control (notably the US drought) the farm budget this year and next will be within the bounds set for it. On whether the major aim of the reforms – the continuing control of production and thus costs – will be achieved, the jury is still out.

This should not be surprising, for most of the reforms were agreed only at last February's EC Summit. It should also be noted that while officials talk of four years' reform, that is true only of the dairy sector and even there, the agreed measures did not begin to bite hard until 1987.

There are two more caveats. Community officials, worried about being put on the defensive within the Gatt, cast the reforms in the context of a more rational ordering of world trade. In fact, the prime motive was and remains the need to prevent the EC's farm spending, which last year took nearly two thirds of the total EC budget, from going through the roof.

Mr Andriessen's comments show that the EC has no intention of accepting free trade in agriculture, even if it is beginning to see that its richer farmers could operate under more market-oriented policies.

It is also vital to understand the limitations of the "budget stabilisers", the chosen instruments for bringing costs under control. The Community has used a combination of production and price controls to persuade farmers to produce less. But farmers cannot be forced to do this, and if they choose to go on producing at lower prices, the Community is committed to buying their produce.

With the exception of milk, where the penalties for overproduction are extremely tough, such an open-ended commitment could still prove extremely costly.

But what of the measures themselves? They are like the proverbial curate's egg – good in parts.

Of the major commodities, stabilisers have been agreed for the dairy sector, for oilseeds, cereals and wine. Beef and sheepmeat are pending. The most costly regimes – dairy, oilseeds and cereals – illustrate the nature of the successes, and the pitfalls ahead.

The dairy regime, involving quotas on production since 1984, has been most successful in curbing production, now at some 93m tonnes, compared with the 121m tonnes a year which experts have calculated would have been produced without quotas. The budget is still high, but at a forecast of Ecu 4.9bn (£3.2bn) for next year, is declining from last year's record of Ecu 6bn.

Dairy farmers who have remained in business (the majority)) now have a more stable framework in which to operate and a brand new asset in the form of tradeable quotas.

Stocks have been reduced dramatically with the butter mountain, for example, coming down from from 1.3m tonnes just over a year ago to around 200,000 tonnes today, mainly through special sales to the Soviet Union and animal feed manufacturers. (Note, however, that the cost of disposing of the pre-1988 surpluses of all commodities is some Ecu 8bn on top of the farm budget.)

The principal drawback of the milk regime is the marked distortion of the internal market in milk products which has been exacerbated by quotas.

The new oilseeds stabiliser is probably the toughest of those agreed last February. Price cuts of nearly 20 per cent for sunflower seed, 8 per cent for rapeseed and 11 per cent for soya have been triggered as production has gone above specified thresholds this year. A potentially catastrophic rise in oilseeds' costs, from Ecu 1.4bn in 1984 to well over Ecu 4bn last year, appears to have been halted, with just under Ecu 4bn being spent this year.

However, future problems include a likely rise in costs when Spain's olive oil production is fully integrated into the regime, as well as the probability that farmers may switch from oilseeds into cereals.

It is the cereals regime which causes EC officials greatest concern, principally because they fear that the new production controls will prove ineffective.

The stabiliser set a production threshold of 160m tonnes of grain which, once exceeded, triggers price reductions. For this season, with a harvest of 162.5m tonnes recently established by the Commission, there will be a cut of only some 3 per cent. In the four years which the cereal stabiliser is to last, price cuts cannot total more than 15 per cent.

Even taking account of cereal price reductions since 1984 (which because of currency adjustments are considerably less in most member states than the Commission's stated 25 per cent) many Commission officials privately fear that compulsory quotas will be needed before long to control grain production.

Of the other stabilisers, the most critical is that for beef, the fourth most expensive regime at some Ecu 2.5bn a year. Despite a cut of 13 per cent in minimum support prices two years ago, producers are still selling large quantities of beef into publicly-financed intervention stores.

The Commission's proposals to cut beef prices even further and limit the role of intervention have so far not been agreed, although Mr Andriessen this week said he hoped for agreement at this month's Farm Council.

One key lesson to be drawn from experience on stabilisers so far is the importance of external factors. The EC's farm budget for next year has recently been revised downwards to Ecu 26.8bn, compared with Ecu 27.5bn last year. The principal reason, however, is savings achieved mainly on the back of the US drought: the subsidies which the EC pays grain traders to make Community exports competitive on world markets, which used to account for more than half of the farm budget, have halved over the last few months, from some $120 a tonne to $80 to $70 a tonne.

For the future, the danger to the budget of falling world prices – or a rising dollar – must remain considerable. If world grain and oilseeds production rose next year, prices would fall and EC costs rise again.

But if the extent of the EC's achievement in farm reform should not be exaggerated, neither should it be under-estimated. There can be no doubt that political attitudes among farm ministers and EC officials are changing.

"Even four years ago, the possibility that the price of any commodity could have been cut by 10 or 20 per cent at a stroke would have been inconceivable," one senior official said last week in Brussels. "We will never please free traders, but neither will we ever go back to the days of 'produce and be damned for the consequences'."

That may be so, but the real dilemma for the Community is that, painful though the present reforms are already proving for many of the EC's 11m farmers, and thus for farm ministers, more will undoubtedly be needed if the impasse between the EC and the US is to be broken within the Gatt negotiations.

EC Ministers have no stomach for further farm reforms just now, which is why Commission officials are so insistent that what has happened so far must be taken into account in future and that any further reductions in farm support must be negotiated multilaterally.

It is also partly why much is currently being made of the decision to double the EC's so-called structural funds, for a lot of the new money will go to developing rural areas as a whole and can thus be presented as compensation for the loss of direct farm price support.

Earlier articles in this series covered: Cereals, November 9; Oilseeds, November 11; Dairy, November 16; Beef, November 18; Sheepmeat, November 23; Wine, November 30; and Sugar, December 1.

PUBLIC understanding of the common agricultural policy in Britain could be greatly improved if the Ministry of Agriculture produced an annual account of the costs and benefits of the policy, the National Audit Office said in a special report published yesterday.

The independent accounting body which studies government accounts said that information on the operation of the CAP was contained in so many different departmental reports that public understanding of it was impaired. "Public understanding would be improved; accountability to Parliament enhanced; and the accounting made more transparent" if the Ministry were to "produce a comprehensive account of the costs and benefits of the CAP to the UK", the report stated.

Implementation of the CAP in Britain. HMSO Paper 31. £4.90.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER and zinc prices surged on the LME yesterday, with three-month metal closing at record levels. Analysts said the copper market had been overdue for a correction after the falls of the previous two days. Fresh fund buying re-established the bull trend towards the chart target of $3,100 a tonne. The market was further boosted by Comex and continuing sound fundamentals, including falling warehouse stocks both sides of the Atlantic, the six-week Peruvian miners' strike and background production problems in Chile and Zambia, traders said. The advance continued in kerb trading, and some analysts are now forecasting a rise to $3,500 a tonne in the first quarter next year. Low LME stocks and the Peruvian strike were also behind the rise in zinc prices. Aluminium prices were also higher, supported by copper's firmness.

US MARKETS

IN THE METALS, gold slipped as producer selling from Middle Eastern countries kept prices from advancing, reports Drexel Burnham Lambert. Silver also was lower due mostly to a weakening platinum market. Anxiety about supply tightness and dwindling copper stocks prompted trade buying in the copper. In the softs, sugar futures rallied near the close as trade and commission houses were featured buyers. March sugar closed up 37 points. Cocoa and coffee markets saw local activity for most of the day. With reports of some disagreements over the US/USSR bonus plan, softer wheat prices prevailed. Corn followed the wheat in featureless trading. Lack of trade news and renewed professional selling kept soybeans prices lower as well. Bean oil futures were higher on short covering and buy stops being triggered. In the meats, carry over from the cash markets reflecting increased packer demand buoyed the pork belly and live hog markets. Low grain prices supported cattle futures as prices rose 25 in the February contract. Cotton prices were steady throughout the day as commission houses and local traders supported the market.

New York

Chicago

LONDON STOCK EXCHANGE

Equity sectors resume their retreat

THE TECHNICAL rally in UK equities ran out of steam yesterday, and share prices resumed their retreat as investors faced the implications for the market presented by the Government's determination to fight inflation with a strong pound. London markets were also cautious ahead of today's important economic data from the US.

Corporate *statements* and results played their role in depressing equities yesterday. The market slipped away from the opening, with BPB Industries, a major UK plasterboard producer, notably dull after the profits disappointed traders.

A further blow came when

Account Dealing Dates		
*First Dealings:		
Nov 14	Nov 28	Dec 12
Option Declarations:		
Nov 24	Dec 8	Dec 22
Last Dealings:		
Nov 25	Dec 9	Dec 23
Account Day:		
Dec 5	Dec 19	Jan 9

*New time dealings may take place from 9.00 am two business days earlier

Next, the retail group, disclosed, in a circular on recent asset disposals, that this year's results will be significantly down because trading is prov*ing difficult* in the second half of the year. This fresh indication that the onward march of UK base rates is now cutting into consumer spending strengthened worries over Christmas spending at the major stores; many retailers take half their annual profit from the Christmas season.

Widespread losses in the retail sector featuring Next and GUS contributed to a further downswing which took the market to levels regarded a significant by the chart specialists.

At worst, the FT-SE Index was more than 20 points off at 1771.7, which some chartists saw as an important testing level which, if breached, could leave the market vulnerable.

However, a recovery set in late in the session, helped by *firmness* in the pharmaceutical sector, which has joined the list of defensive areas in an increasingly nervous market.

Consumer divisions were enlivened by a short-lived burst of activity in Cadbury-Schweppes as bid speculation were revived by the news that General Cinema, which has an 18 per cent stake, had turned a large profit on a deal in the US. However, Cinema later said it had no specific plans for the profits.

By the close of the session, the FT-SE Index had reduced *its* fall to a net 13.7 at 1778.7. Seaq volume of 465.5m shares compared with 444.8m on Wednesday, continuing to reflect *only* a moderate contribution from retail investment – both totals comprise retail and intra-market business.

London was also helped in late dealings when Wall Street steadied on the announcement of the October leading economic indicators for the US. Views in the UK of the outlook for the US markets have improved this week, although much still depends on the response to today's data on US employment and construction expenditure.

Meanwhile, tensions inside *the London* market continued, as Warburg Securities, a leading securities house, withdrew from making markets in South African gold shares.

BPB hit by price war fears

Lower-than-expected interim results from BPB Industries, coupled with growing fears that developing competition in the plasterboard market from West Germany's Knauf and that the joint venture between Redland and CSR will hit plasterboard prices, sent BPB's shares reeling.

At one point the stock fell to 218½p, but it later rallied modestly to close a net 16 off at 223p. Turnover expanded rapidly throughout the session and eventually reached 11m.

The interim pre-tax profits were up 14.5 per cent at £104.1m, compared with the £90.9m earned in the same period last year. The figure was below most analysts' expectations which had ranged up to around £115m.

But it was a post-results' meeting between the company's directors and building materials analysts that led to subsequent heavy selling pressure and downgradings of profits forecasts. Dealers said the stock was being widely talked of as "ex-growth", but there were suggestions in the market that any further marked weakness in the shares could trigger takeover activity.

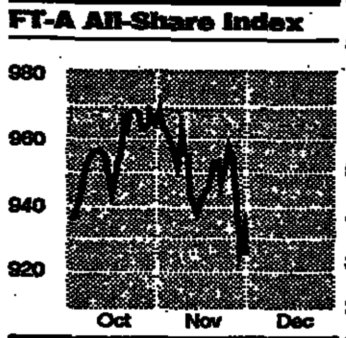
Cadbury revive

Cadbury Schweppes, one of the oldest takeover favourites in the market, sprang to life following news that General Cinema Corporation (G C) had reached agreement to dispose of its soft drinks bottling business for $1.5bn. Hopes that G C might use the money to launch a bid for Cadbury set off a flurry of activity, and the shares shot forward against the trend of the wider market. G C already owns some 19 per cent of Cadbury equity.

At one stage, the shares touched 355p, up 16, before closer investigation of the G C announcement dampened enthusiasm. It emerged that PepsiCo, the purchaser, will pay for the deal in 20-year interest-bearing notes, rather than the cash which had been assumed by the London market. Further, a G C spokesman said that the company had no specific plans for the proceeds of the disposal.

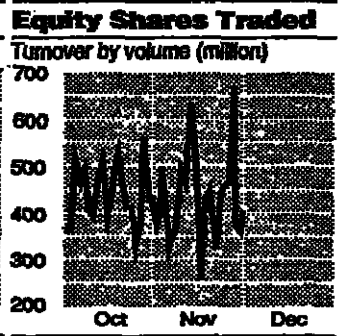
Turnover in Cadbury shares had already jumped sharply, but it eased off as marketmakers reversed their prices and at the close the shares were 345p, a gain of just 6 on the day. Volume was 12m, most of which was dealt in the period after the initial G C announcement.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Property for view

Several analysts thought MEPC's latest property revaluation mildly disappointing, but the main drag on the shares yesterday was without doubt the uncertain tone of the *broader market*. Group *annual* profits were marginally above expectations, showing excellent growth of 30 per cent, while the accompanying revaluation revealed a net asset value (nav) of 727p a share compared with 533p previously.

Market estimates had ranged from a *lowly* 670p to 750p, with Warburg Securities, the group's brokers, *forecasting* 720p. One property specialist said: "I was seriously looking for an nav of 750p and told clients so. Those who bought stock must feel ill-advised and the indications are that they could either sell or lighten their holdings."

Marketmakers saw little pressure to sell yesterday, however, *and the shares rallied* from the lowest level to close 11 down on balance at 558p, after turnover of 2.0m.

The Stores sector once again moved to the centre of the stage. A string of downgradings by analysts, notably Mr Nick Bubb of Morgan Stanley, sent clothes and mail order companies lower early on, but the decisive bad news came from Next. A run of small disposals recently failed to improve sentiment for the ailing chain and yesterday's profits warning was, according to one dealer, "the last straw". Turnover ballooned to 10m shares as the price collapsed to 136p at the close, down 20, after 133½p.

There was little cheer across the sector. GUS "A" fell 16 to 988p, Burton lost 10 to 171p in turnover of 3.6m, Sears dropped 4 to 122p (turnover *7.2m) and Woolworth shed 10* to 245p (2.8m). Storehouse, buoyed up recently on stake-building and takeover speculation, fell 8 to 204p in good volume of 10m shares as investors looked to take profits before they evaporated.

A profits downgrading of NatWest by County NatWest's John Aitken drained some of the recent confidence in the banking sector. NatWest shares fell back to 532p before steadying to close a net 10 lower at 534p; turnover was 3.5m, well up on recent levels.

Barclays drifted back 6 to 415p on 3.5m, while Lloyds lost 8½ to 321½p. Royal Bank of Scotland's preliminary results, showing pre-tax profits up around 57 per cent at £309.2m, compared with £197.2m, were at the very top end of the range, but profit-taking set in and lowered the share price 9 to 356p.

The building sector ran into fresh pressure, with one securities house said to have been *large sellers of many of the* leaders. Redland, getting into the plasterboard market with CSR, was upset by the BPB news and lost 8 to 404p. Finlan Group jumped 5 to 83p in response to the more than trebled interim figures and news that WCRS is increasing its stake in the group to 10.5 per cent.

BOC went strongly against the trend, rising 8 to 405p in turnover of 1.2m shares after talk of a bullish presentation and trading outlook at rival liquid gas supplier Air Liquide of France.

Ferranti headed the turnover in electronics – 8.4m changed hands – with the *shares slipping 2¼ to 93½p* after news of in-line pre-tax profits of £40.1m, up 74 per cent.

Analysts said the market was slightly disturbed by the cautious statement accompanying the results which could well, they said, prompt downgradings to around the £97-£98m level for the full year.

GEC shares were extremely active, with buying said to have been triggered by stories that Hanson could perhaps be contemplating a bid. US securities houses were said to have been aggressive buyers of GEC *stock amid hints of an asset* revaluation. The shares touched 178p before closing a net 4 higher at 177p on turnover of 5.9m.

A broker's profits downgrading was said to have been responsible for a flurry of selling in Cray Electronics, which plummeted 34 to 167p.

The Food sector saw United Biscuits follow Cadbury higher, and the shares closed 3 better at 289½p after turnover of 1.7m. Tate & Lyle pleased analysts with its results, but failed to inspire them at the post-results meeting and the shares lost early gains to end unchanged at 840p.

British Steel issue

Market perceptions of prospects for the British Steel sale ebbed and swayed as opinions circulated regarding the response from private investors ahead of this morning's 10.am deadline for applications. Indications last night that the offer could be over-subscribed came too late for the market. With no grey market in operation, market forecasts of the premium expected on the 60p partly-paid shares continued to focus on the IG Index quotation. This invites customers to estimate the closing price on Monday, the first trading day. The index slipped to 61½p-64½p yesterday, its lowest quotation to date, and contrasting with 65p-68p overnight.

Unigate continued to attract speculative interest, edging up 3 to 285p in trade of 3.6m. One dealer is thought to be quietly buying sizeable lines of stock, heightening talk that a stake is being accumulated.

The heaviest fall of the day came in Bejam, down 18 to 170p and at a 22p discount to the share bid from Iceland Frozen Foods, unchanged at 320p. The new bid terms announced by Iceland yesterday were described by analysts as, "very risky, leaving the bid in the balance", while dealers were left counting the cost of the fall. There had been widespread confidence that Iceland would make an increased part-cash offer and win the day, but the contest remains very open.

Stocks exposed by the strengthening pound fared badly. British Aerospace was again a target and lost 8 to 431p - the group is seen as vulnerable to currency pressure on both its main fronts, aircraft and motors.

Profit-taking accounted for a fall in Eurotunnel of 17 to 431p, in spite of pledges at this week's board meeting of better progress next year with the construction work.

On the plus side, Chamberlin & Hill put on 8 to 233p on news of a unit fund holding of 22.8 per cent. An announcement of increased profits by Monks and Crane lifted the stock to 98p, a rise of 5, and Scott Robertson rose 15 to 260p following disposal of a holding.

Cundell Group rose 15 to 186p after the bid statement by Jefferson Smurfit, down 3 at 377p.

Properties retraced their steps. Most recent frontrunners shed some of their gains, with the notable exception of Hammerson, where the "A" shares refused to concede much ground and closed only a shade off at 896p. Great Portland gave back 12 to 382p and Imry Merchant 9 to 436p.

Sector leader Land Securities moved in unison with MEPC, the second largest UK property group, and ended 11 down at 578p. Mountleigh meanwhile displayed scant response to a press report that a US-led consortium was prepared to offer 220p a share for a secured bid. There was also speculation that the Galerias consortium is ready to increase its 21.5 per cent holding.

Favourable comment on prospects after the sharply higher interim profits boosted Rowlinson Securities 13 further to 210p.

There was no respite in the pressure on Textile leader Courtaulds. Investors continued to reduce their holdings and during volume of 3.7m shares the price slithered 8½ further to 248½p. A morning suspension of *trading in Coralt* was lifted following the announcement of a recommended offer of 75p per share from Charterhall and the shares closed 6¼ up at 71¼p.

The oil and gas sector proved disappointing – "there has been little going on, despite the strength of crude prices", commented one trader. Brent for January delivery was up some 50 cents towards the close.

Carless provided some early excitement, with one securities house *bidding the shares up to* 120p following news that the oil company is involved in talks with a third party which could lead to an offer. Carless, where Kelt Energy is currently bidding 115p a share, closed 1½ up at 117p.

Talk in the market suggested that *the possible alternative* bidder could well be from the Continent – Spain's Repsol was said to be at the front of the queue - while British Gas, possibly interested in Carless's stake in the Wytch Farm oilfield, was also mentioned as a likely candidate. There have been reports that an announcement of a further oil find at Wytch Farm is imminent.

Turnover in traded options reached the modest level by recent standards of 34,440 contracts, consisting of 20,460 calls *and 13,980 puts. Trading in the* FT-SE 100 index once more captured a heavy part of the day's dealings, with 8,847 contracts comprised in 3,950 calls and 4,897 puts.

GEC led the field in individual options stocks with 2,245 call and 475 put contracts traded, dealings lying largely in an expansion in the January 180 calls. It was Jaguar, however, which captured the eye, attracting 2,225 calls and only 154 puts – dealings including the opening of interest of some 1,000 contracts in the January 330 calls, which closed at ¼-1½p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

FINANCIAL TIMES STOCK INDICES

	Dec. 1	Nov. 30	Nov. 29	Nov. 28	Nov. 25	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.97	87.03	86.96	86.86	87.48	89.97	91.43 (18/4)	85.28 (12/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.10	97.19	97.31	97.24	96.97	96.85	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1450.2	1458.0	1456.4	1452.9	1462.6	1263.6	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	179.0	178.4	181.1	179.4	175.7	337.0	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Dec. 1	Nov. 30	Nov. 29	Nov. 28	Nov. 25	Year Ago
Ord. Dl. Yield	4.97	4.89	4.90	4.90	4.87	4.81
Earning Yld %(full)	12.59	12.30	12.33	12.30	12.20	12.15
P/E Ratio(Net)(☆)	9.59	9.84	9.82	9.85	9.93	10.06
SEAQ Bargains(5pm)	20,702	21,642	21,828	24,088	32,373	23,323
Equity Turnover(£m)†	-	1006.29	836.02	850.34	1381.08	875.86
Equity Bargains†	-	21,534	22,617	24,443	31,731	22,842
Shares Traded (ml)†	-	406.3	355.1	360.0	677.1	467.7

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1453.9	1453.5	1453.9	1450.8	1449.5	1446.3	1445.3	1451.2

DAY'S HIGH 1455.7 DAY'S LOW 1444.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 9.55 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Nov. 30	Nov. 29
Gilt Edged Bargains	86.8	110.2
Equity Bargains	139.5	146.5
Equity Value	2034.0	1669.8
5 – Day average		
Gilt Edged Bargains	107.3	108.7
Equity Bargains	165.5	169.7
Equity Value	2122.4	2169.6

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	537	142	-1	Commercial Union	591	320	-1	Ladbroke	1,950	425½	-6½	Rothmans	546	428	-10
Abbey Life	3,400	283	-1	Cons. Gold Fields	411	£11⅛		Land Securities	1,650	578	-11	Royal Bk. of Scotland	1,500	356	-9
Allied-Lyons	1,400	464	-3	Cookson	267	256	+1	Laporte	87	382		Royal Insurance	2,850	361	-4
Amstrad	1,650	152½	-1½	Courtaulds	3,666	248½	-8½	Legal & General	523	279½	-2½	STC	506	265½	-1½
Argyll Group	2,000	162		Dalgety	376	306	-1	Lloyds Bank	1,255	321½	-8½	Saatchi & Saatchi	394	320	-7
Ass. Brit. Foods	136	306	-5	Dixons	3,300	142	-2½	LASMO	173	464	-1	Sainsbury	1,900	199	-3
BAA	1,600	266	-2	Eng. China Clays	589	451	-7	Lonrho	1,600	302	-3	Scot & Newcastle	2,400	308	-1
BAT	727	434	-3	Enterprise Oil	976	486	-7	Lucas	438	542	-7	Sears	7,200	118	-4
BET	2,400	226½	-1½	FKI Babcock	1,800	127½	-2½	MB Group	994	251	-3	Shell Transport	679	402	-1
BICC	417	306	-1	Fisons	3,600	231½	+½	MEPC	2,000	558	-11	Siebe	1,000	356	-10
BOC	1,200	405	+8	Gateway Corp.	1,900	158	-1½	Marks & Spencer	4,300	144	-6	Slough Ests.	366	328	-1
BPB Inds.	11,000	223	-16	General Accident	221	822		Maxwell Comm.	65	186	-5	Smith & Nephew	2,700	127½	+½
BTR	3,000	283	-5	General Elect.	5,900	177	+4	Midland Bank	1,900	424	-2	Standard Chard.	1,100	437	
Barclays	2,500	415	-6	Glaxo	496	£10¼		Nat. West. Bank	3,500	534	-10	Storehouse	10,000	204	-8
Bass	876	794		Globe Inv.	692	138¼	-1	Next	10,000	136	-20	Sun Alliance	226	900	-7
Beazer	468	166½	-1½	Glynwed Int.	437	265	-9	Northern Foods	476	275	-1½	T&N	309	171	-3
Beecham	1,200	451	+1	Granada	1,300	314	-3	Pearson	84	670	-8	TSB	1,200	107	-1½
Blue Arrow	3,100	91	-1½	Grand Met.	623	409	-2	Pearl	148	411	+2	Tarmac	2,900	221	-4
Blue Circle	747	432	-2	GUS A	630	988	-16½	P & O	791	553	-6	Tate & Lyle	697	840	
Boots	846	216	-3	GRE	1,015	179		Pilkington	1,200	216	-½	Tesco	1,600	134	-1
British Airways	900	155	-1	GKN	723	309	-4	Plessey	2,600	209		THORN EMI	1,300	639	-8
Brit. Aerospace	1,400	431	-8	Guinness	2,800	328½	-½	Prudential	2,800	147	-1	Trafalgar House	1,400	308	-5
Brit & Comm.	1,300	224	-2	Hammerson "A"	865	896	-2	Racal	3,500	263		Trusthouse Forte	1,700	259½	-1
British Gas	3,800	156½	-½	Hanson	8,100	154	-2	Rank Org.	167	685	-7	Ultramar	561	252	-1
British Land	356	358	-6	Harrisons & Cros.	55	659	-7	RMC	846	490	-9	Unilever	150	441	-3
BP	3,200	244½	-1	Hawker Siddeley	257	524	-1	RHM	998	348	-6	United Biscuits	1,700	289½	+3
British Telecom	4,100	255		Hillsdown Hldgs	975	256	-4	Reckitt & Colman	120	908	-1	Utd. Newspapers	239	390	-5
Burmah Oil	1,000	495	-5	IMI	2,400	187	-8	Redland	1,400	404	-8	Wellcome	1,300	424	-7
Burton	3,600	171	-10	Imp. Chem.	715	976		Reed International	1,500	374	-11	Whitbread "A"	374	287	-1
Cable & Wireless	825	368	-3	Inchcape	569	208	-2	Reuters "B"	262	461	-3	Williams Hldgs.	3,400	244	-2
Cadbury Schweppes	11,635	345	+6	Jaguar	808	258	-3	RTZ	376	435		Wimpey	2,400	209½	+2½
Coats Viyella	2,600	154	-5					Rolls Royce	5,810	129	-2	Woolworth Hldgs.	2,800	245	-10

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (15). AMERICANS (1) RJR Nabisco Inc., BANKS (1) [illegible] BUILDINGS (1) [illegible] Plants.
NEW LOWS (103).
BRITISH FUNDS (11) CANADIANS (1) Breakwater, BANKS (4) Hambros, Kleinwort Benson Grp., Wintrust, Woodchester, BUILDINGS (9) AMEC 5½pc Cm. Cv. Pf., Berkeley Grp., Crest Nichol. Do. 5½pc Pf., McAlpine (A.), Mowlem (J.), Raine Inds., Ward Hldgs., Wilson (C.). CHEMICALS (3) Hercules, Thurgar Bardex. STORES (12) Coats Viyella, Dewhirst (I.J.), Etam, Lowndes Q'way., Marks & Spencer, Next, Pentos, Ratners, Ritz Design Grp., Sumner Int'l., Ward White, Do. Pf., ELECTRICALS (2) [illegible] ENGINEERING (3) [illegible] Exec., Tomkins, [illegible] (4) London Utd., NZI Corp., Prudential, Sun Life, MOTORS (2) March Grp., Spica, PAPERS (7) Fairway (London), Horne (R.), Do. N/V 'A', KLP Grp., Osborne & Little, Saatchi, WCRS Grp., PROPERTY (4) Barker Harris Saunders, Kentish Prop., Parkdale Hldgs., Regalian, SHIPPING (2) Lon. & O'Seas. Frtrs. "B" Pfd., P. & O. Sub Wrnts. '86-'92, TEXTILES (1) Courtaulds, TRUSTS (5) OILS (4) AmBrit Int'l., Caspen Oil, Floyd Energy, Monarch Pet., PLANTATIONS (1) Bertam, MINES (8) THIRD MARKET (2).

APPOINTMENTS

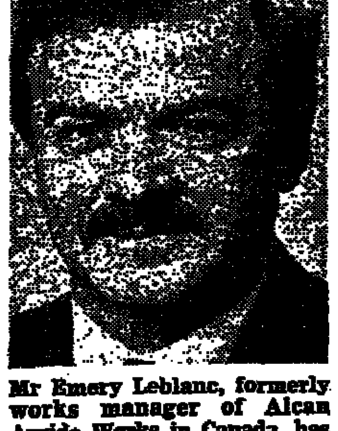
BNP City office posts

■ BANQUE NATIONALE DE PARIS, London, has appointed Mr Robert Amzallag as managing director. He was general manager of BNP Australia. Mr Christian Aubin, senior executive vice president, and Mr Alex Kinnison, general manager, also become directors. The board of the newly-acquired BNP Mortgages comprises: Mr Kinnison, chairman; Mr David Cameron-Moore, managing director; Mr Daniel Métadier, finance director; Mr Amzallag, Mr François Bramot and Ms Dominique Saglio, senior vice presidents of BNP, Mr Barrie Lewis-Ranwell, Mr Christopher Marney and Mr Derrick Beardsley, all join the board.

Mr Stewart Brammer, formerly managing director of Bonar August Systems, has joined ACTION INSTRUMENTS, Chichester, as managing director.

■ Mr Richard Luff has been appointed deputy chairman of LONDON REGIONAL TRANSPORT's property board.

■ Mr Edgar Evans has been appointed general manager (home service marketing and sales) and Mr Rodney Griffiths becomes general manager (home service administration) at PEARL ASSURANCE.



Mr Emery Leblanc, formerly works manager of Alcan Arvida Works in Canada, has been appointed managing director of the primary and recycling division of the BRITISH ALCAN ALUMINIUM group.

■ Mr F.J. Clements has been appointed senior administration manager in administration development at STANDARD LIFE ASSURANCE COMPANY.

■ LEVITT GROUP HOLDINGS has appointed Mr Stuart Nesbitt as a director. He continues as managing director of The Levitt Group (Financial Services). Mr Stephen Hopkins also becomes a director. He continues as managing director of The Mortgage Collection and director of The Levitt Group.

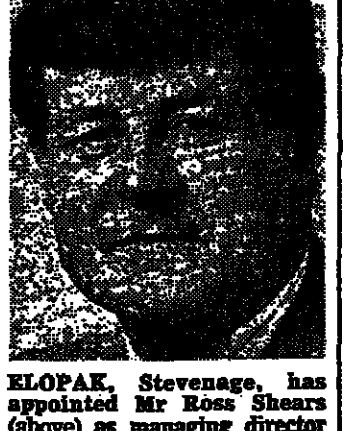
Senior posts at NEDO

■ Mr Douglas Fraser has been appointed industrial director, and Mr Kenneth Mayhew becomes economic director at the NATIONAL ECONOMIC DEVELOPMENT OFFICE. Mr Mayhew is tutor in economics at Pembroke College, Oxford. Mr Fraser was NEDO operations director.

■ MOSCOW NARODNY BANK has appointed Mr Malcolm Magee-Brown as senior manager and head of its newly-created joint ventures and project finance department. He was a vice president of American Express Bank. Mr Raymond King has been appointed deputy general manager responsible for business operations. He was assistant general manager and head of management services at Christiania Bank Og Kreditkasse, London.

■ BIBBY LINE GROUP appointments include Mr Rennie Barnes as financial director of Bibby Bros. & Co. (Management). Mr Alan Sinclair becomes regional director, south, of Bibby Distribution Services.

■ EUROPEAN BRAZILIAN BANK P.L.C., London, has changed its name to EUROBRAZ LTD. Mr J.J.A. Mirão has been appointed general manager. He was senior manager - banking. Mr R.C. Westmacott becomes company secretary and chief accountant.



ELOPAK, Stevenage, has appointed Mr Ross Shears (above) as managing director of its UK operations. He replaces Mr Finn Meiland who becomes vice president of commercial operations, Europe. Mr Shears was general manager of Gadsden, Pure Pak licensee in Australia.

■ Mr Richard P. Horton has been appointed finance director designate of TYNDALL, and will join the board in February. He was controller of Brown Shipley.

■ BRAY TECHNOLOGIES, Leeds, has appointed Mr W. Smith as director and general manager of Bray Lectroheat. He was sales director.

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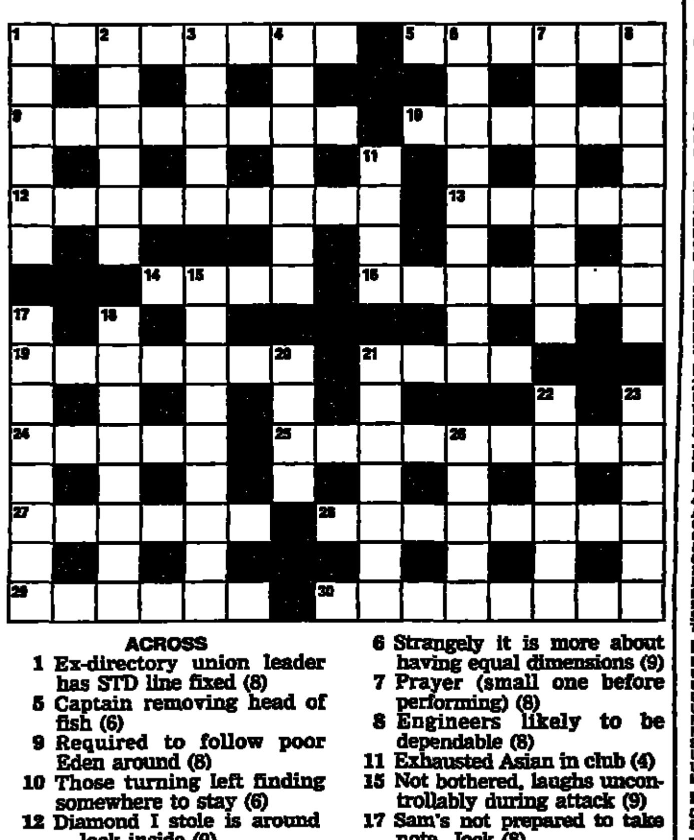
AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,801 Set by GRIFFIN



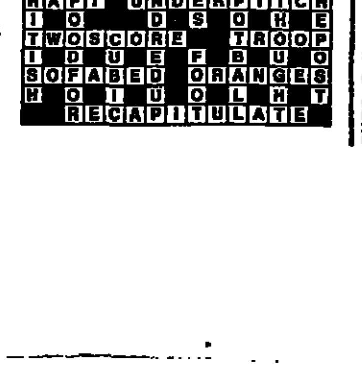
ACROSS

1 Ex-directory union leader has STD line fixed (8)
5 Captain removing head of fish (6)
9 Required to follow poor Eden around (8)
10 Those turning left finding somewhere to stay (6)
12 Diamond I stole is around – look inside (9)
13 Unusually cunning, kiss sweetheart back! (5)
14 Pine from end to end (4)
16 Our Tim, turned 50, causes an uproar (7)
19 *Angry little man* when thwarted (7)
21 Very short distance from home to church (4)
24 Jack's taking it back – I swallowed a bone (5)
25 Fiance could be hotter in bed! (9)
27 Servant with years to run (6)
28 Ideal loo at inn needs renovating (8)
29 Terribly untidy naturists go for it (6)
30 Good man darned mad if left without transport (8)

DOWN

1 Worried it could be difficult? (6)
2 Rarely tell doctor about it (6)
3 Fits new front wheel in fast (5)
4 Round five to nine rising, say, for a time (7)
6 Strangely it is more about having equal dimensions (9)
7 Prayer (small one before performing) (8)
8 Engineers likely to be dependable (8)
11 Exhausted Asian in club (4)
15 Not bothered, laughs uncontrollably during attack (9)
17 Sam's not prepared to take note, Jock (8)
18 Joined doctor inside once I'd changed (8)
20 What's owed on cot (upright model) (4)
21 French king races round *after fashionable anthem* (7)
22 "What half?" poor Enid moaned (6)
23 Rotten theologian in crooked deal (6)
26 Board requiring consent of two Europeans (5)

Solution to Puzzle No.6,800



GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS 0603 683986				
NUAM Funds				
Managed Fund	53.6	56.4	−0.3	−
Stock Market Mngd Fund	51.0	53.7	−0.3	−
Equity Fund	54.6	57.5	−0.5	−
International Fund	48.0	50.5	−0.1	−
European Fund	48.7	51.3	−0.1	−
North American Fund	41.6	43.8	−	−
Pacific Fund	60.5	63.7	−0.5	−
Property Fund	68.6	72.2	+0.1	−
Fixed Interest Fund	51.9	54.6	−0.1	−
Index linked Sec Fund	53.3	56.1	−	−
Deposit Fund	55.0	57.9	−	−
NUAM Retirement Plans				
Mixed Fund	57.6	60.6	+0.2	−
UK Ordinary Share Fd	64.0	67.4	+0.3	−
International Fund	49.9	52.5	−	−
Property Fund	67.1	70.6	+1.4	−
Fixed Interest Fund	56.4	59.4	−0.1	−
Index Linked Sec Fund	54.7	57.6	+0.1	−
Deposit Fund	59.3	62.4	−	−
NUAM (NPF)				
Managed Fund	748.2	787.6	−3.4	−
Equity Fund	1478.3	1556.2	−11.7	−
Property Fund	431.9	454.7	+0.3	−
Fixed Interest Fund	386.8	407.2	−0.5	−
Deposit Fund	225.1	237.0	+0.1	−
International Fund	126.1	132.8	−0.3	−
Index Linked Sec Fund	54.0	56.9	−	−
Norwich Union Life Insurance Soc.				
PO Box 149, Norwich NR1 3NG 0603 622200				
Unitised Pensions				
With Profits Fd	108.65	114.37	+0.04	−
Managed Fd	116.33	122.45	+0.51	−
UK Equity Fd	118.48	124.72	+0.56	−
International Fd	118.49	124.73	+0.13	−
European Fd	111.23	117.09	+0.42	−

	Bid Price	Offer Price	+ or −	Yield Gross
Providence Capital Life Assc. Co Ltd – Contd.				
Broker Fund				
Towerhill Mngd Fd Acc	45.0	47.4	+0.5	−
High Performance	60.1	63.3	+0.2	−
YRA Executive Fd	76.2	80.3	−0.1	−
Investment Master		36.5	+0.2	−
N.F. Speculator Fd		111.7	−0.5	−
£ High Inc Money Fd		103.5	----	−
£ Global Growth Fd		103.3	----	−
PEP Acorn II		100.7	+0.3	−
AAFS Int Man Fund		98.9	+0.2	−
Individual Pension Funds				
UK Equity Acc	198.3	209.2	−0.9	−
UK Fixed Interest Acc	164.3	173.4	+0.1	−
Intl Equities Acc	161.3	170.2	+1.0	−
UK Managed Acc	148.8	156.9	−0.1	−
Property Acc	189.1	199.5	+0.2	−
Money Acc	115.9	122.3	----	−
Special Market Acc	126.7	133.7	+0.4	−
Japan Equity Acc	224.4	236.8	−1.1	−
North American Acc	99.5	105.0	+0.2	−
Pacific Acc	130.8	138.0	−0.1	−
Technology Acc	135.0	142.5	−0.5	−
Natural Resources Acc	89.0	93.9	----	−
European Acc	86.8	91.6	+0.6	−
Residential Prop Acc	122.7	129.5	+0.4	−
Swiss Equities Acc	30.7	32.4	−0.3	−
Hong Kong Acc	42.2	44.6	+0.1	−
UK High Inc Equ Acc	63.4	66.9	−0.6	−
Int Fixed Interest Acc	50.3	53.1	−0.1	−
Int Managed Acc	46.6	49.1	----	−
Broker Fund				
Towerhill Mngd Pen Acc	37.7	39.7	+0.4	−
Group Pension Funds				
Equity Acc	590.2	608.5	+1.2	−
Fixed Interest Acc	456.0	470.2	----	−
Managed Acc	101.2	103.2	−0.1	−

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

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OFFSHORE INSURANCES

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102½	99⅜	Treas 11½pc 1989	99½	–⅛	11.55	12.88
101⅜	98½	Treas 9½pc Cnv 1989	98½	–¼	9.61	12.70
97⅛	95⅜	Treas 3pc 1989	96½	.....	3.10	10.59
102⅜	99⅛	Treas 10½pc 1989	99⅛	–⅛	10.16	12.42
102	98½	Exch. 10pc 1989	98½	–⅛	10.16	12.42
103½	98⅞	Exch 11pc 1989	98⅞	–⅛	11.11	12.31
97⅜	94⅜	Treas 5pc 1986-89	95⅛	+⅛	5.25	10.83
104½	98⅜	Exch 10¼pcCv '89	98⅜	–⅛	10.39	11.73
107½	101¼	Treas 13pc 1990‡‡	101⅛	–⅛	12.84	11.69
104⅜	99⅛	Exch 11pc 1990‡‡	99⅛	–⅛	11.08	11.61
107⅜	100½	Exch. 12½pc 1990	100½	–⅛	12.38	11.68
93⅞	90⅜	Treas. 3pc 1990	90¾	–⅛	3.30	10.06
99⅞	95⅜	Treas 8¼pc 1987-90‡‡	95⅛	–¼	8.63	11.50
102⅜	95¼	Treas. 8pc Cv 1990 ‡‡	96⅜	–⅛	8.28	10.34
103⅞	97¼	Treas. 10pcCv 1990	97½	–⅛	10.56	11.47
91½	87⅝	Exch 2½pc 1990	87⅞	–⅛	2.85	9.53
107¾	100⅞	Treas 11¾pc 1991	100½	–⅛	11.69	11.42
95½	89⅛	Funding 5¾pc '87-91‡‡	89⅝	–⅛	6.40	10.79
90½	86⅛	Treas. 3pc 1991	86¼	–⅛	3.48	9.50
105½	98⅜	Treas 10pc Cv '91 ‡‡	98½	–⅛	10.16	10.70
107⅞	99⅜	Exch. 11pc 1991	99⅛	–⅛	11.06	11.22
98½	91⅜	Treas. 8pc 1991	91⅜	–⅛	8.70	11.21
113⅜	104⅞	Treas 12¾pc 1992‡‡	104½	–⅛	12.22	11.03
104½	97⅛	Treas 10pc 1992	97¼	–⅛	10.29	11.02
98⅞	91⅜	Treas. 8pc 1992 ‡‡	91½	–⅛	8.72	11.01
106⅞	98⅜	Treas 10½pc Cv 1992‡‡	98⅜	–⅛	10.65	11.02
86⅞	82¼	Treas. 3pc 1992	82⅞	–⅛	3.64	8.89
112½	103⅝	Exch. 12¼pc '92	103⅝	–⅛	11.84	11.05
117½	107½	Exch 13½pc 1992	107½	–⅛	12.55	11.00
97⅞	91⅛	Treas 8¼pc 1993	91⅛	–⅛	9.03	10.85
105⅞	97½	Treas 10pc 1993‡‡	97½	–⅛	10.26	10.72
115½	105⅜	Treas 12½pc 1993‡‡	105⅜	–⅛	11.81	10.84
93⅜	85⅜	Funding 6pc 1993‡‡	85½	–⅛	7.00	9.79
121⅞	110⅜	Treas 13¾pc 1993‡‡	110⅜	–⅛	12.40	10.85

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101⅞	90½	Treas 8½pc 1994	90½	–⅛	9.34	10.80

BRITISH FUNDS—Contd

Undated

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
44½	41½	Consols 4pc	44	–¼	9.09	–
40⅞	37⅞	War Loan 3½pc‡‡	39⅝	.....	8.83	–
62½	48½	Conv. 3½pc '61 Aft.	61⅜	–⅛	5.69	–
33⅛	30½	Treas. 3pc '66 Aft.	32⅛	–⅛	9.32	–
28⅜	26¼	Consols 2½pc	27⅜	–⅛	9.07	–
28⅜	26¼	Treas. 2½pc	27⅜	–⅛	9.07	–

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
124½	117½	Treas 2pc IL '90(84.6)	123⅞	+⅛	1.07	3.40
105½	99⅛	Do. 2pc '92‡‡(97.8)	104⅛	.....	2.61	3.43
96½	92½	Do. 2 '94 (102.9)	95⅛	–⅛	3.14	3.63
142⅛	127⅛	Do. 2pc '96(67.9)	140⅛	–⅛	3.23	3.58
121⅜	103⅞	Do 2½pc '01(78.3)	119½	–⅛	3.45	3.70
118½	101⅝	Do. 2½pc '03(78.8)	116⅝	–⅛	3.53	3.75
120½	102¼	Do. 2pc '06(69.5)	118½	–⅛	3.58	3.76
113⅜	95½	Do. 2½pc '09(78.8)	111¼	–⅛	3.58	3.75
117½	99½	Do. 2½pc '11(74.6)	115½	–⅛	3.58	3.74
97⅜	82⅜	Do. 2½pc '13(89.2)	96⅛	+⅛	3.57	3.72
105½	88½	Do. 2½pc '16(81.6)	103⅞	+⅛	3.54	6.68
103¼	87¼	Do. 2½pc '20(83.0)	101⅜	+⅛	3.48	3.61
87⅜	73	Do. 2½pc '24‡‡(97.7)	85⅜	+⅛	3.44	3.56

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1988:104.1 and for October 1988:109.5

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109⅜	100½	African Dv Bk 11¼Ln 2010	104½	–¼	10.63	10.57
104⅜	96½	Asian Dev Bk 10¼Ln2009	100½	–⅛	10.16	10.14

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Yamaichi Dynamic Mngt Co SA

Advanced Tech	$25.42
Dynamic Grth Fd	$26.91

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3			01-283 64[illegible]	
CAFCASH Call Fund	12.14	9.31	12.86	3-[illegible]
CAFCASH 7-day Fund	12.15	9.32	12.88	3-[illegible]
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 181[illegible]	
Deposit	11.55	–	12.06	3-[illegible]
Gartmore Money Management Ltd				
61 Queen St, London, EC4R 1PH.			01-236 14[illegible]	
Call Fnd	12.38	9.50	12.97	6-[illegible]
7-day Fund	12.05	9.25	12.61	6-[illegible]
Dollar	7.62	5.85	7.91	3-[illegible]

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
AAB-Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 68[illegible]	
HICA (£2000+)	12.50	9.59	13.37	[illegible]
Aitken Hume				
90 City Road, EC1Y 2AY.			01-638 607[illegible]	
Treasury Acc.	10.75	8.25	11.35	[illegible]
Mth Int Chq £1000-£5000	10.50	8.06	11.16	[illegible]
Mth Int Chq £5,000+	10.75	8.25	11.43	[illegible]

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
°259	124	ANZ SA1	254	–1	s034½c	♦	6.8	♦
°271	180	Allied Irish	238xd	+1	F07.2%	3.1	6.4	8.2
£13¼	£10⅞	Algemene Fl.10	£11⅞	.....	Q27%	1.9	6.7	–
73	58	Anglo Irish	65xd	.....	Q19.69%	♦	6.3	♦
90	64	Ansbacher (H) 1p	82	.....	2.0	–	3.3	–
£40½	£24⅝	Banco Bilbao Viz	£39⅞	–⅛	Q67.2%	3.1	4.1	7.7
£35⅜	£27⅞	Banco de Santander	£30⅝	–⅛	Q22%	2.4	1.8	23.8
°272	184	Bank Ireland Ir£1	238	+2	Q15.67%	3.3	5.5	7.4
£18½	£15	Bank Leumi	£17½	.....	–	–	–	–
350	350	Bank Leumi (U.K.)	350	.....	12.4	–	4.7	–
399	335	Bank Scotland £1	364½	+1½	th12.6	4.1	4.6	7.1
°65	45	Bank of Wales	62xr	.....	g2.8	2.6	6.1	8.7
°463	360	Barclays £1	415	–6	†19.93	3.5	6.4	5.9
38	26	Benchmark 20p	27	–1	1.63	1.0	8.0	15.5
435	330	Brown Shipley £1	345xd	.....	10.5	–	4.1	–
77	45	Business Mort Tst.	53	+1	–	–	–	–
394	318	Cater Allen £1	339xd	.....	22.5	–	8.8	–
270	175	Chancery	220xd	–3	†6.0	2.9	3.6	12.7
£16¼	£13¼	Commerzbk DM10	£14⅝	.....	Q18%	–	4.0	–
£25¼	£18	C'hgn. Hbk. Kr100	£25¼	+⅝	vQ15%	–	4.9	–
£176	£114½	Deutsche Bk DM50	£161¼	+1⅞	Q24%	–	2.4	–
270	195	First Nat. Fin. 10p	227	.....	†8.75	2.9	5.1	7.3
145	100	FNFC 6.3pc CnRedPref	116	.....	6.3%	–	7.2	–
£16	£12½	Fuji Bank Y50	£15½	.....	kQ14.3%	♦	0.2	♦
340	266	Gerrard & National	280	.....	18.0	–	8.6	–
136	110	Goode Durrant 5p	120	.....	a3.3	–	3.7	–
133	90	Guinness Mahon 10p	132	.....	1.2	–	1.2	–
285	209	Hambros 20p	209	–8	†9.0	–	5.8	–
50	40	HK & Shang. HK$2.50	42	–1	t038c	–	6.4	–
510	413	Joseph (Leo) £1	493	.....	14.38	–	3.9	–
158	131	King & Shaxson 20p	133	.....	9.25	–	9.3	–
407	308	Kleinwort Benson Grp.	308	–3	14.0	–	6.1	–
342	238	Lloyds £1	332½	+1½	†13.2	4.6	5.3	5.3
57	43	Lon. Scot. Bank 10p	43	–1	†1.8	1.9	5.6	11.1
211	30	MCorp $5	37	.....	–	–	–	–
448	370	Midland £1	424	–2	†20.1	3.0	6.3	5.7
£15¾	£11⅞	Mitsubishi Bank Y50	£14⅞	+⅛	Q15%	6.6	0.2	67.7
355	236	Morgan Grenfell £1	304	–2½	10.85	–	4.8	–
°331	146	Nat Aust. Bk. A$1	310	–2	KQ30c	2.1	4.7	12.3
605	522	Nat. West. £1	534	–10	†24.0	5.0	6.0	4.5
£225	£130	Ottoman Bank	£198	.....	Q80%	–	4.2	–
111	66	Rea Bros. Group	66	.....	‡1.75	–	‡	–
°162	94	Rothschild (J) Hldgs.	156	.....	§8.0	2.7	6.8	6.9
40	12	Rothwells A$0.50	12¼	.....	Q12.5c	7.1	42.3	0.3
380	297	Royal Bk. Scotland	356	–9	15.0	q4.4	5.8	5.2
150	120	Scandinavian Bk Units	126	–1	†8.0	–	8.5	–
£10	850	Schroders £1	875	–15	16.5	–	2.5	–
851	675	Do. £1 N/V	675	–5	16.5	–	–	–
£23¾	£13⅝	Sec. Pacific $10	£20⅛	+⅜	QS1.80	–	4.9	–
°538	361	Standard Chartd. £1	477	.....	M35.0	0.9	9.8	(16.2)
117½	96	TSB	107	–1½	taW4.7	3.2	6.0	7.2
167	135	TSB Ch'nel Is'l	167	+4	4.88	♦	4.0	♦
595	493	Union Discount £1	500	–5	th28.7	–	7.6	–
355	277	Warburg (S.G.)	288xd	–3	†11.5	–	5.3	–
133	98	Do 6pc A Cnv Prf.	102	–1	6%	–	7.8	–
£40½	£23	Wells Fargo $5	£36½	.....	QS2.40	–	3.7	–
°286	125	Westpac SA1	262	–2	s033c	♦	6.3	♦
458	440	Wintrust 20p	443	–5	6.95	2.9	2.1	22.0

Hire Purchase, Leasing, etc.

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
212	155	Anglo Leasing 10p	199	–2	†3.5	6.6	2.3	8.6
°174	150	CLF 50p	156xr	–2	M2.18	8.5	1.9	8.6
116	100	Do. 6¼pc Cv Pf 50p	101#	.....	6.25	–	8.3	–
71	54	Cattle's (Hldgs) 10p	61	.....	†2.5	2.1	5.5	11.4
£49½	£30¾	Cie B'cre Fr.100	£42⅞	–⅛	Q10%	–	2.2	–
38	24	Equity & Gen 5p	32	.....	†1.75	1.7	7.3	9.7
369	309	Prov. Financial	320	–2	†16.0	2.2	6.7	8.9
125	41	Reflex Invs. Ir5p	110xd	.....	LQ28.8%	3.3	1.2	24.2
199	124	Woodchester IR20p	124	–5	tQ8.65%	5.7	1.2	21.9

BEERS, WINES & SPIRITS

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
494	322	Allied-Lyons	464	–3	†13.0	2.7	3.8	11.7
867	733	Bass	784	.....	†19.55	3.9	3.3	10.2
65½	42	Belhaven	55	–1	a1.0	3.4	2.4	15.9
175	127	Boddington	166	.....	†3.97	2.8	3.2	15.0
207	130	Buckley's Brewery	153	.....	♦3.2	1.6	2.8	27.2
195	147	Bulmer (H.P.) 5p	158	.....	6.5	2.5	5.5	9.8
194	120	Burtonwood Brewery	193	.....	†3.16	2.6	2.2	23.8
405	332	Clark (Matthew)	402	.....	11.0	3.3	3.6	10.9
371	292	Devenish (J.A.) 5p	299	.....	3.0	4.1	1.3	20.9
280	205	Do 4.5pc Cv 2ndPf	229	.....	4½%	25.3	2.7	–
600	325	Eldridge, Pope "A"	575	.....	†7.75	3.4	1.8	21.7
415	291	Fuller. S.T.A.	480	.....	h3.6	4.9	1.2	22.8
290	176	Greenall Whitley	260	–2	†6.0	3.1	3.1	13.9
149	109	Do 5.95pcCvPf£1	132	–1	5.95%	–	6.0	–
494	434	Greene King	448	–3	7.45	3.0	2.2	19.9
357	271	Guinness	328½	–½	†9.2	3.2	3.7	10.7
113	95	Do. 5¾pc Cnv Prf.	104xd	+1	5.75%	25.0	7.4	–
£138	£112	Do 8¼pcCvLn	£121xd	+1	Q8¼%	69.0	6.8	–
135	76	Highland Dists. 20p	135xd	.....	2.82	2.7	2.8	17.9
410	168	Invergordon Dists.	403	.....	†5.75	3.2	1.9	21.7
438	125	Irish Distillers	380	–2	‡Q51.6%	1.7	2.8	34.7
°£11⅛	487	Macallan-Glenlivet	£11⅛	+⅛	g4.42	3.9	0.5	53.9
£14⅞	£11¼	Macdonald Martin 'A'	£13½	.....	†20.0	2.3	2.0	29.5
169	110	Marston Thompson	166	.....	†2.9	3.1	2.3	18.1
405	293	Merrydown Wine	378	.....	th5.33	3.7	1.9	18.9
683	464	Morland	651xd	.....	9.05	♦	1.9	♦
408	206	Scott & New 20p	398	–1	9.14	2.2	3.1	18.8
°731	479	Vaux Group	725	–3	K16.2	2.5	3.0	18.9
317	268	Whitbread 'A'	287xd	–1	†10.55	2.9	4.9	8.9
449	351	Wolv. & Dudley	448	+1	†5.85	4.1	1.7	18.6
530	345	Young Brew 'A' 50p	505xd	+3	†9.2	1.8	2.4	31.1
460	318	Do. Non. V. 50p	425xd	+3	†9.2	1.8	2.9	26.2

BUILDING, TIMBER, ROADS

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
400	315	AMEC 50p	347	–3	†13.0	2.7	5.0	9.8
105	92	Do. 6½p Cm Cv Pf	92	–1	6½%	–	9.6	–
273	145	Abbey	198	.....	24%	4.9	3.6	7.6
°459	329	Anglia Sec 10p	375	.....	g†2.0	11.7	0.7	20.3
54	35	Anglo Utd	35	.....	1.0	2.1	3.8	16.3
208	90	Arncliffe 10p	163	.....	†3.17	4.0	2.6	10.0
119	110	Arthur Shaw 10p	110	–2	L3.3	2.8	4.0	12.0
280	170	Ashtead Group 10p	278	.....	h2.0	7.6	1.0	17.7
325	247	Attwoods 5p	296	–2	7.0	2.3	3.2	15.2
129	116	BMSS 10p	119	–1	a3.75	2.2	4.2	11.0
310	218	BPB Inds. 50p	223	–16	†8.5	3.3	5.2	7.1
320	240	Baggeridge Brick	305	.....	†3.25	5.8	1.4	16.2
108	53	Bailey (Ben) 10p	96	–1	2.2	5.7	3.1	7.6
185	78	Baldwin 10p	150	.....	2.0	1.3	1.8	52.1
123	73	Banner Homes 10p	100	.....	L2.6	3.0	3.5	10.6
253	160½	Barratt Dev. 10p	164	–5	11.16	2.1	9.1	7.0
272	181	Bellway	205	–4	10.0	♦	6.5	♦
113	83	Bellwinch 10p	95	+2	3.75	3.5	5.3	6.5
384	232	Berkeley Group	232	–10	3.5	7.5	2.0	8.6
122	83	Bett Bros. 20p	105	.....	3.85	♦	5.0	♦
400	320	Blockleys 20p	360	.....	†6.5	2.8	2.4	19.6
474	408	Blue Circle £1	432	–2	†15.0	2.8	4.6	8.7
147½	83½	Breedon	117	.....	ht3.18	1.2	3.6	31.4
295	275	BB & EA	295	.....	3.0	8.8	1.4	11.1
170	110	British Dredging	124	–1	†5.0	1.7	5.4	13.9
157	101	Bryant Group	102	–6	4.3	3.8	5.6	6.3
125	110	Bucknall Austin 1p	110	.....	L3.3	2.1	4.0	12.0
166	112	CALA 5p	138	.....	2.75	4.7	2.7	9.6
144	110	CRH	128	.....	tQ24.6%	3.4	4.0	11.2
155	102	Cakebread Robey 'A'	135xd	.....	3.8	1.5	3.8	23.2
358	258	Caradon 5p	329	–3	8.0	3.1	3.2	12.3
159	130	Carron Phoenix 10p	131	.....	R3.5	2.7	3.7	13.6
139	84	Church (Charles) 5p	85	.....	4.0	♦	6.5	♦
178	143	Colroy 10p	149	–4	L4.0	4.9	3.6	6.0
411	195	Conder Group	400	.....	†5.5	4.3	1.8	13.6
227	112	Copson (F.) 5p	181	+2	3.0	2.6	2.2	22.3
339	259	Costain Group	302	–4	†9.65	2.6	4.3	10.8
317	203	Countryside Props.	255	.....	†1.91	14.0	1.0	9.5
231	177	Crest Nichol 10p	178	–5	†5.7	3.5	4.3	9.0
108	81	Do 5½pc Cv.Cm.Rd.Pf.	81	–2	5½%	–	9.1	–
126	73	Crosby (James) 10p	115	.....	2.0	7.1	2.3	8.1
310	229	Douglas (Robt. M)	293	.....	4.25	5.5	1.9	11.4
46	26	Dunton Group 5p	34½	.....	0.76	3.3	2.9	12.9
°199½	116½	EBC 50p	165	–1	M8.38	2.5	6.8	9.5
41	23	Edmond Hldgs 10p	36½	.....	†0.8	5.2	2.9	8.7
170	123	Erwin Group 10p	123	.....	4.8	2.3	5.2	10.1
111	78	Erith	97	–1	†3.0	2.8	4.1	11.4
216	125	Eve Group	208	.....	6.0	2.9	3.8	11.8
215	101	Fairbriar 10p	170xd	–2	th3.4	6.4	2.7	7.9
309	175	Fed. Housing 5p	265	–4	†5.0	5.5	2.5	9.6
100	75	Finlan Group 10p	83	+5	†4.5	1.3	7.4	11.3
240	213	Freeman Group 10p	226	.....	‡6.75	3.4	4.0	9.9
74	59	Galliford 5p	68	–1	3.2	1.8	6.3	11.6
265	210	Gibbs & Dandy 10p	265	.....	2.6	3.1	1.3	32.6
91	68	Do "A" 10p	73	+2	2.6	3.1	4.7	9.0
615	385	Gleeson (MJ) 10p	590xd	–5	8.14	♦	1.8	♦
265	175	Harrison Inds 10p	185	–3	6.85	3.1	4.9	8.8
170	100	Hatfield Ests.	160	.....	3.0	♦	2.5	♦
126	91	Hewden-Stuart 10p	115	.....	tb2.04	4.8	2.4	11.5
£400	£295	Do. 10pc '03/08	£380	.....	Q10%	–	2.6	–
133	86	Hewetson 10p	126	–2	†3.0	2.4	3.2	15.8
120	108	Do. 7pc Cm Cv Pf	117xd	+1	7.0	–	8.0	–
103	75	Hey & Croft 25p	82	–3	hL2.41	3.6	3.9	9.8
320	259	Heywood Williams	264	–1	†9.5	3.2	4.8	8.8
137	111	Do. Cnv. Prf.	113	.....	6.75	–	8.0	–
380	291	Higgs & Hill	323	–3	†9.0	4.2	3.7	8.5
90	67	How Group 10p	78	.....	†L2.2	3.5	3.8	10.3
69	37	Howard Hldgs. 10p	50	+1	1.3	4.6	3.5	8.4
202	141	Ibstock Johnsen	147	–6	†4.0	3.8	3.6	9.3

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... v	70	......
Craig & Rose £1 .. v	710xd	......
Finlay Pkg. 5p v	86	+1
Holt (Jos) 25p v	£11½	+⅛

IRISH

Cap. 8½% Ln. 1991 ...	£99½	......
9pc Cap Ln. 1996 ..	£103½	......
Fin. 13% 97/02 ...	£124½	......

Arnotts v	375	......
Carrol (P.J.) v	150	−2
Grafton Grp. v	145	......
Hall (R. & H.)	155	......
Heiton Hldgs. v	57	......
Irish Ropes v	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	48
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	37
Charter Cons.	45
Comm Union	20
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met.	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54
Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	65
Ultramar	21
Mines	
Cons Gold	100
Lonrho	38
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar awaits jobs data

THE DOLLAR traded nervously in currency markets yesterday, with many investors staying on the sidelines ahead of US employment figures for November, due for release today. The mood of uncertainty provided little incentive to take out fresh positions.

Evidence that the US economy may not be growing as quickly as previously thought saw the dollar open in London below its overnight levels. However, some traders pointed out that the US Federal Reserve Board is still likely to maintain a firm monetary stance, because US inflation - as measured by the fixed-weight deflator - has moved up from 3.5 p.c in the first quarter of this year to 5 p.c. in the second and 5.1 p.c. in the third quarter.

In addition, investors are likely to require firm evidence of progress in solving the US twin trade and budget deficits before restoring fully their faith in the dollar.

The dollar closed at DM1.7325 from DM1.7360 and Y121.60 compared with Y121.90. Elsewhere, it finished at SFr1.4520 from SFr1.4530 and FFr5.9225 against FFr5.9325. On Bank of England figures, the dollar's exchange rate index fell from 92.6 to 92.2.

US leading economic indicators rose by 0.1 p.c. in October, much in line with expectations, and had little effect on the currency.

Sterling finished unchanged on the day. Its exchange rate index closed at the same level as the opening and last night's close at 78.3. The pound remained underpinned by the high level of UK interest rates, which currently make sterling based investments very attractive to overseas investors.

However, the pound appeared to pause for breath and failed to break through key resistance against the D-Mark at DM3.2150. Nevertheless, underlying sentiment is likely to remain bullish as long as investors are influenced by the determination of Mr Nigel Lawson, UK Chancellor, to keep sterling firm and to fight inflation with high interest rates.

The pound finished at $1.8530, up from $1.8505, but eased slightly against the D-Mark to DM3.2100 from DM3.2125. It was also slightly weaker against the Japanese yen at Y225.25 from Y225.50. Elsewhere, it closed at FFr10.9750 from FFr10.9775, and SFr2.6900, unchanged from Wednesday.

The French franc eased slightly against the D-Mark, but was little changed overall within the EMS. Activity was subdued ahead of the release of the US employment data. A lower than expected figure could depress the dollar and push the D-Mark firmer, thus putting pressure on the weaker members of the system. However, most traders expect the Bank of France to intervene if the franc comes under pressure. For the time being, the market remains relatively relaxed, and the Bank of France left its money market intervention rate unchanged.

£ IN NEW YORK

Dec.1	Latest	Previous Close
£ Spot	1.8520-1.8530	1.8530-1.8540
1 month	0.52-0.50pm	0.58-0.56pm
3 months	1.46-1.43pm	1.72-1.69pm
12 months	4.25-4.15pm	5.90-5.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.1	Previous
8.30 am	78.3	78.1
9.00 am	78.3	78.1
10.00 am	78.3	78.1
11.00 am	78.3	78.1
Noon	78.3	78.2
1.00 pm	78.3	78.2
2.00 pm	78.3	78.2
3.00 pm	78.3	78.2
4.00 pm	78.3	78.3

CURRENCY RATES

Dec.1	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.739738	0.647775
U.S Dollar	6.50	1.36637	1.20097
Canadian $	8.75	1.62407	1.42496
Austrian Sch.	4	16.6656	14.6159
Belgian Franc	7¼	49.7495	43.5413
Danish Krone	7½	9.13350	8.00930
Deutsche Mark	3½	2.37120	2.07829
Neth. Guilder	4	2.67672	2.34394
French Franc	9½	8.11077	7.09956
Italian Lira	12½	1754.84	1536.05
Japanese Yen	2½	166.356	145.894
Norway Krone	8	8.85544	7.77211
Spanish Peseta	-	154.694	135.650
Swedish Krona	8½	8.23375	7.22026
Swiss Franc	3	1.98561	1.74321
Greek Drach.	20½	197.215	173.072
Irish Punt	-	0.888118	0.776827

*All SDR rates are for Nov.30

CURRENCY MOVEMENTS

Dec.1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.3	-14.2
U.S Dollar	92.2	-14.9
Canadian Dollar	84.5	-1.6
Austrian Schilling	136.2	+10.1
Belgian Franc	99.0	-5.6
Danish Krone	90.1	+0.2
Deutsche Mark	146.2	+21.5
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Nov.30.

OTHER CURRENCIES

Dec.1	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5413	+2.58	+0.80	±1.5344
Danish Krone	7.85212	8.00930	+2.00	+0.22	±1.5404
German D-Mark	2.05253	2.07829	+0.96	-0.82	±1.0981
French Franc	6.90403	7.09956	+2.83	+1.05	±1.3674
Dutch Guilder	2.31943	2.34394	+1.06	-0.72	±1.5012
Irish Punt	0.768411	0.776827	+1.10	-0.68	±1.6684
Italian Lira	1483.58	1536.05	+3.54	+2.46	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Dec.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8510 - 1.8570	1.8525 - 1.8535	0.57-0.54cpm	3.59	1.78-1.73pm	3.79
Canada	2.1955 - 2.2025	2.2005 - 2.2015	0.53-0.41cpm	2.56	1.33-1.21pm	2.31
Netherlands	3.61 - 3.62½	3.61½ - 3.62½	2½-2¼cpm	7.87	6⅞-6⅝pm	7.46
Belgium	67.05 - 67.40	67.20 - 67.30	38-30cpm	6.07	103-92pm	5.80
Denmark	12.36¾ - 12.42¼	12.41¼ - 12.42¼	5⅞-5⅛orepm	5.32	15¾-14⅝pm	4.83
Ireland	1.1960 - 1.2020	1.1995 - 1.2005	0.55-0.50ppm	5.25	1.45-1.35pm	4.67
W. Germany	3.20¼ - 3.21¼	3.20¼ - 3.21¼	2¼-2pfpm	7.94	6¼-6⅛pm	7.71
Portugal	265.05 - 266.45	265.10 - 266.10	19pm-25cdis	-0.14	28pm-74dis	-0.35
Spain	208.90 - 210.00	209.25 - 209.55	52-35cpm	2.49	91-72pm	1.56
Italy	2366½ - 2373½	2372½ - 2373½	4-1lirepm	1.26	10-5pm	1.26
Norway	11.98¾ - 12.01¾	11.99¼ - 12.00¼	1½-¾orepm	1.06	2¼-1⅞pm	0.67
France	10.94¼ - 10.98	10.97 - 10.98	4⅝-4⅛cpm	4.92	13-12½pm	4.65
Sweden	11.13¾ - 11.16¼	11.15¼ - 11.16¼	2¾-2⅛orepm	2.76	7½-6⅞pm	2.58
Japan	224 - 225¼	224¼ - 225¼	1⅝-1½ypm	8.32	4⅞-4⅝pm	8.43
Austria	22.50 - 22.58	22.55 - 22.58	15-13⅞gropm	7.68	43¼-40¼pm	7.39
Switzerland	2.68¼ - 2.69½	2.68½ - 2.69½	1⅞-1¾cpm	8.09	5½-5⅜pm	8.09

Belgian rate is convertible francs. Financial franc 67.60-67.70. Six-month forward dollar 3.41-3.36cpm 12 months 6.12-6.02cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8510 - 1.8570	1.8525 - 1.8535	0.57-0.54cpm	3.59	1.78-1.73pm	3.79
Ireland†	1.5440 - 1.5475	1.5465 - 1.5475	0.27-0.32cdis	-2.29	0.44-0.54dis	-1.27
Canada	1.1840 - 1.1875	1.1865 - 1.1875	0.08-0.12cdis	-1.01	0.43-0.46dis	-1.50
Netherlands	1.9485 - 1.9565	1.9535 - 1.9545	0.71-0.68cpm	4.27	1.84-1.80pm	3.73
Belgium	36.15 - 36.35	36.25 - 36.35	8.50-6.50cpm	2.48	19.50-16.50pm	1.99
Denmark	6.65¾ - 6.70½	6.70 - 6.70½	1.10-0.60orepm	1.53	2.00-1.30pm	0.99
W. Germany	1.7265 - 1.7335	1.7320 - 1.7330	0.64-0.61pfpm	4.33	1.75-1.71pm	4.00
Portugal	143¼ - 143¾	143¼ - 143½	35-55cdis	-3.77	135-185dis	-4.46
Spain	112.70 - 113.25	112.90 - 113.00	10-20cdis	-1.59	58-68dis	-2.23
Italy	1277 - 1281¼	1280¾ - 1281¼	2.00-3.00liredis	-2.35	7.50-9.00dis	-2.58
Norway	6.46 - 6.48	6.47½ - 6.48	1.20-1.60oredis	-2.60	5.20-5.70dis	-3.37
France	5.90¼ - 5.92½	5.92 - 5.92½	0.71-0.64cpm	1.37	1.40-1.20pm	0.88
Sweden	6.00½ - 6.01½	6.01 - 6.01½	0.40-0.55oredis	-0.95	1.70-1.95dis	-1.21
Japan	121.15 - 121.65	121.55 - 121.65	0.52-0.50ypm	5.04	1.43-1.40pm	4.66
Austria	12.15 - 12.18¼	12.17¾ - 12.18¼	4.40-4.00gropm	4.14	11.90-10.40pm	3.66
Switzerland	1.4475 - 1.4525	1.4515 - 1.4525	0.57-0.54cpm	4.59	1.58-1.53pm	4.29

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.45-36.55.

EURO-CURRENCY INTEREST RATES

Dec.1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13-12⅞	13-12⅞	13⅛-12 15/16	13 3/16-13 1/16	13¼-13⅛	13⅛-13
US Dollar	8⅝-8½	8⅝-8½	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	9⅞-9⅝	9⅞-9⅝	[illegible]	10¾-10½	10⅞-10⅝	10⅞-10⅝
D. Guilder	4⅞-4⅝	5¼-5⅛	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	4⅜-4⅛	4⅜-4⅛	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	4 15/16-4 13/16	4 15/16-4 13/16	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	7¾-7⅝	7¾-7⅝	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9⅛ per cent; three years 9⅛-9⅛ per cent; four years 9¼-9⅛ per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.853	3.210	225.3	10.98	2.690	3.620	2373	2.201	67.25
$	0.540	1	1.732	121.6	5.926	1.452	1.954	1281	1.188	36.29
DM	0.312	0.577	1	70.19	3.421	0.838	1.128	739.3	0.686	20.95
YEN	4.439	8.225	14.25	1000.	48.74	11.94	16.07	10533	9.769	298.5
F Fr.	0.911	1.688	2.923	205.2	10.	2.450	3.297	2161	2.005	61.25
S Fr.	0.372	0.689	1.193	83.75	4.082	1	1.346	882.2	0.818	25.00
H Fl.	0.276	0.512	0.887	62.24	3.033	0.743	1	655.5	0.608	18.58
Lira	0.421	0.781	1.353	94.94	4.627	1.134	1.525	1000.	0.928	28.34
C $	0.454	0.842	1.458	102.4	4.989	1.222	1.645	1078	1	30.56
B Fr.	1.487	2.755	4.773	335.0	16.33	4.000	5.383	3529	3.273	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Rates edge lower

INTEREST RATES had a slightly softer tone in London yesterday, with three-month sterling interbank closing at 13¼-13⅛ p.c., compared with [illegible] p.c. on Wednesday.

Trading was quiet, with the yield curve virtually flat from two months through to one-year, indicating uncertainty about whether there will be a further rise in bank base rates.

The Bank of England has looked ahead to the £2.5 bn British Steel flotation on

UK clearing bank base lending rate 13 per cent from November 25

December 5, and says it is prepared to supplement its normal money market operations on that day. If necessary the authorities will lend to recognised banks for a period no longer than four business days, at a rate equal to the lowest official rate for buying bank 1 bills, which at present is 12⅝ p.c.

The Bank of England forecast a money market shortage of £350m, and supplied total help on the day of £295m. Before lunch the authorities bought £121m bills outright, by way of £20m bank bills in band 1 at 12⅞ p.c.; £56m bank bills in band 3 at 12⅜ p.c.; £1m local authority bills in band 4 at 12⅞ p.c.; and £44m bank bills in band 4 at 12⅞ p.c.

In the afternoon the Bank of England purchased another £129m bills, through £86m bank bills in band 1 at 12⅞ p.c.; £31m bank bills in band 2 at 12⅞ p.c.; and £12m bank bills in band 3 at 12⅞ p.c. Late assistance of around £45m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £335m, with a rise in the note circulation absorbing £90m, and bank balances below target £75m. These factors outweighed Exchequer transactions adding £360m to liquidity.

In New York the Federal Reserve added $2bn of temporary reserves to the banking system, via customer repurchase agreements, when Federal funds were trading at 8⅛ p.c.

In Frankfurt the Bundesbank council left credit policies unchanged at yesterday's meeting. The central bank announced a two tranche securities repurchase agreement tender, for 33 days and 61 days, with no minimum bid rate.

In Paris the Bank of France left its intervention rate at 7¼ p.c. when injecting funds into the money market, through a securities repurchase tender. The five to 10-day rate remained at 7⅝ p.c. Earlier this week poor French trade figures had led to speculation that the authorities might increase official interest rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.1) 3 months US dollars		6 months US Dollars	
bid 9⅛	offer 9¼	bid 9⅜	offer 9½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9¾-½
Fed. funds	8½
Fed. funds at intervention	8½

Treasury Bills and Bonds

One month	6.32	Three year	8.88
Two month	7.81	Four year	8.92
Three month	8.09	Five year	8.93
Six month	8.40	Seven year	9.00
One year	8.59	10-year	9.04
Two year	8.84	30-year	9.05

Dec.1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.85-4.95	5.00-5.15	5.00-5.15	5.00-5.15	5.05-5.20	5.00
Paris	7⅝-7¾	7⅞-8	8-8⅛	8⅛-8¼	8¼-8⅜	7.25
Zurich	3⅞-4⅛	4⅞-5⅛	-	4⅝-4⅞	-	-
Amsterdam	5.25-5.37	5.31-5.37	-	5.31-5.37	-	-
Tokyo	3.65625	4.46875	-	4.34375	-	-
Milan	10⅞-11⅛	11⅞-12⅛	-	11½-12	-	-
Brussels	4.50	7⅛-7¼	-	7⅛-7¼	-	-
Dublin	7¼-7½	7⅝-7 13/16	7⅝-7⅞	7⅞-8¼	8¼-8½	-

LONDON MONEY RATES

Dec.1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	13	13⅛	13¼	13⅜	13¼
Interbank Bid	10	12⅞	12 15/16	13⅛	13¼	12 15/16
Sterling CDs	-	-	12 15/16	13⅛	13⅛	12 15/16
Local Authority Deps.	13	13	13	13⅜	13⅜	13
Local Authority Bonds	-	-	12¾	12⅞	12⅝	12⅝
Discount Mkt Deps.	13	12 15/16	12⅝	12⅝	-	-
Company Deposits	-	-	13⅛	13⅜	13⅜	13¼
Finance House Deposits	-	-	13⅜	13⅜	13 7/16	13⅜
Treasury Bills (Buy)	-	-	12¾	12⅝	-	-
Bank Bills (Buy)	-	-	12⅞	12 11/16	12 11/16	-
Fine Trade Bills (Buy)	-	-	13⅜	13⅜	13⅜	-
Dollar CDs	-	-	9.35-9.30	9.10-9.05	9.10-9.05	9.15-9.10
SDR Linked Dep Offer	-	-	7 11/16	7 11/16	7 13/16	7¾
SDR Linked Dep Bid	-	-	7⅝	7⅝	7⅝	7½
ECU Linked Dep Offer	-	-	7⅞	7⅞	7 15/16	7 15/16
ECU Linked Dep Bid	-	-	7¾	7¾	7 13/16	7 13/16

Treasury Bills (sell); one-month 12 11/16 per cent; three months 12⅝ per cent; Bank Bills (sell); one-month 12 23/32 per cent; three months 12⅝ per cent; Treasury Bills; Average tender rate of discount 12.5769 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1988. Agreed rates for period December 26,1988 to January 24, 1989, Scheme I: 13.27 p.c., Schemes II & III: 13.61 p.c. Reference rate for period November 1,1988 to November 30, 1988, Scheme IV&V: 12.251 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from December 1, 1988: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July.5,1988, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES

Gilt volume moves to March

MARCH BECAME the most active trading month in long gilt futures on Liffe yesterday, with the market dominated by the rollover of positions from December to March delivery.

March long gilts opened higher at 95-12, but fell back to a low of 95-00, partly reflecting fears about rising inflation. The contract closed at 95-03, compared with 95-10 on Wednesday.

Short sterling futures, for March delivery, also began on a firm note, at 87.07, and then weakened amid attempts to push the contract through 87.00. There was good support at this level however, and the contract finished at 87.00, against 87.02 previously.

There were no new factors.

Sterling traded steadily on the foreign exchanges, and today's figures on UK official reserves are unlikely to move the market, according to dealers.

December US Treasury bond futures rose to 88-18 from 88-01 on Liffe, in subdued trading ahead of today's publication of US employment data for November.

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS [illegible]

LIFFE £/$ OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1) [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% [illegible]

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100% [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% [illegible]

THREE MONTH STERLING £500,000 points of 100% [illegible]

FT-SE 100 INDEX £25 per full index point [illegible]

THREE MONTH EURODOLLAR $1m points of 100% [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM 250,000 100ths of 100% [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8530	1.8475	1.8355	1.8162	1.7923

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.8504	1.8538	1.8494	1.8490
Mar	1.8346	1.8382	1.8330	1.8326
Jun	1.8170	1.8240	1.8170	1.8170

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

STANDARD & POORS 500 INDEX $500 times index [illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]								
NAT NED. P	Fl. 65	22	3.50	-	-	-	-	Fl. 62.30
PHILIPS C	Fl. 35	233	0.40	431	0.80	33	1.30	Fl. 30.30
PHILIPS P	Fl. 30	60	1.20	241	2.30	7	2.70	Fl. 30.30
ROYAL DUTCH C	Fl. 230	321	2.60	47	7	12	8.70	Fl. 221.70
ROYAL DUTCH P	Fl. 210	200	0.80 B	18	3	10	5.50	Fl. 221.70
UNILEVER C	Fl. 120	483	1.20	108	4.60	18	5.80	Fl. 112.20
UNILEVER P	Fl. 120	58	8.30 B	484	9.50	11	12 B	Fl. 112.20
VAN OMMEREN C	Fl. 35	10	0.40	104	1.20	27	1.50 A	Fl. 31.70
VAN OMMEREN P	Fl. 30	-	-	2	1.40	13	2.10	Fl. 31.70

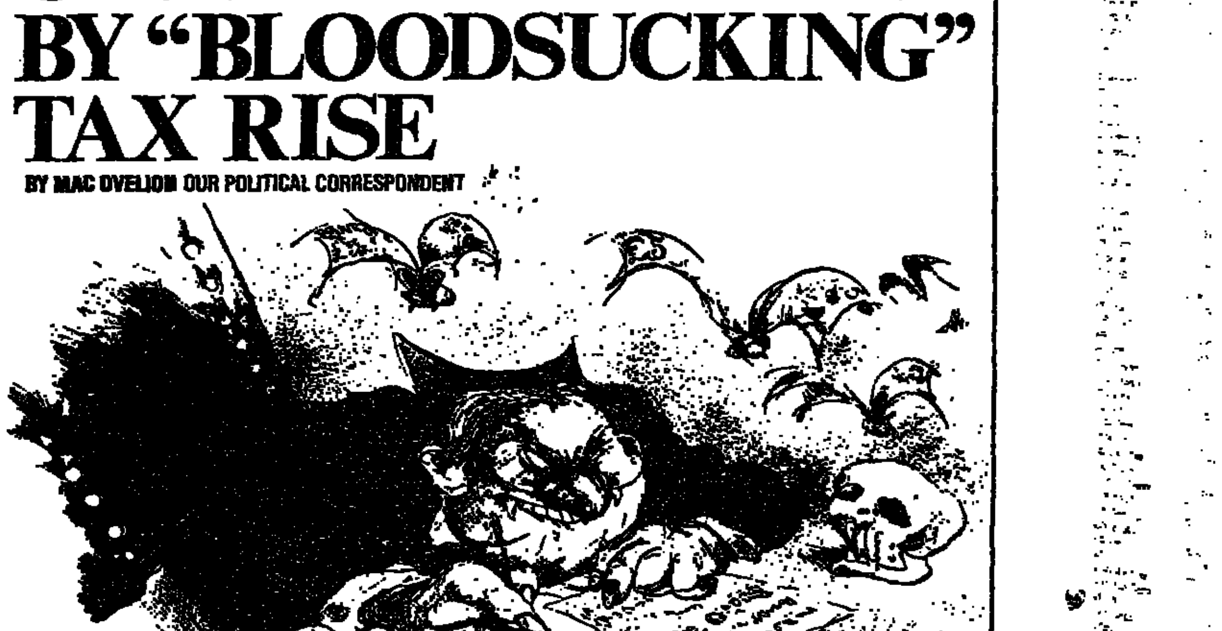
TOTAL VOLUME IN CONTRACTS : 20,240

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm.Bk.N East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	15	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	12
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡12.75		
Citibank NA	13	Mount Bnkg Corp.	13		
		Nat Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Savewise 8.47%. Top Tier-£10,000+ instant access 11.06% ‡ Mortgage base rate. § Demand deposit 8%. Mortgage 12.375% - 12.75%



WORLD STOCK MARKETS

INDICES

NEW YORK DOW JONES

	Nov 30	Nov 29	Nov 28	Nov 25	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2114.51	2101.53	2081.44	2074.68	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.14	89.10	89.01	89.05	91.25 (3/3)	86.12 (4/1)	-	-
Transport	936.52	928.98	920.84	907.72	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	185.63	184.45	182.61	182.37	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2126.60 (2112.73) Low 2095.48 (2072.37)

STANDARD AND POOR'S	Nov 30	Nov 29	Nov 28	Nov 25	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	273.70	270.90	268.64	267.23	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	315.12	311.96	309.85	307.64	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.94	24.59	24.32	24.28	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	153.90	152.43	151.25	150.63	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	294.36	292.20	291.67	291.19	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	371.45	368.15	366.09	366.38	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Nov 25	Nov 18	Nov 11	year ago (approx.)
Dow Industrial Div. Yield	3.82	3.83	3.81	3.59
	Nov 16	Nov 9	Nov 2	year ago (approx.)
S & P Industrial div. yield	3.32	3.19	3.09	3.31
S & P Indl. P/E ratio	12.13	12.60	13.52	16.39

TRADING ACTIVITY †Volume

Millions	Nov 30	Nov 29	Nov 28
New York	157.810	127.420	123.980
Amex	9.931	8.702	7.660
OTC	125.341	104.824	93.802

NEW YORK	Nov 30	Nov 29	Nov 28
Issues Traded	1,941	1,952	1,941
Rises	988	939	704
Falls	478	536	720
Unchanged	475	477	517
New Highs	31	30	26
New Lows	30	37	35

CANADA

TORONTO	Nov 30	Nov 29	Nov 28	Nov 25	1988 High	1988 Low
Metals & Minerals	2925.4	2907.5	2897.0	2904.0	3226.5 (5/7)	2238.7 (8/2)
Composite	3294.7	3273.6	3261.2	3275.0	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1640.31	1626.36	1617.98	1622.02	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	6,726,900	93	+ 2¼	Kraft	1,318,000	105⅝	----
Texas Util	6,667,300	28⅝	----	Ford Motor	1,302,800	52	+ ⅛
Ohio Ed	4,944,000	18⅞	+ ⅛	Pillsbury	1,276,700	59¼	+ 1⅛
AT&T	2,150,400	29⅞	+ ⅜	IBM	1,270,900	118½	− ⅜
General Electric	1,509,400	45	+ ¼	Baxter Intl	1,115,300	17¼	+ ½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 1	Nov. 30	Nov. 29	Nov. 28	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1456.5	1471.5	1472.0	1480.1	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	672.7	682.3	682.2	690.1	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	220.50	221.10	221.20	221.60	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5355.70	5361.70	5341.90	5370.70	5393.00 (24/11)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	252.22	249.63	248.61	252.22 (30/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	744.6	743.1	741.0	738.9	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	392.3	390.9	390.5	392.1	397.2 (9/11)	251.3 (29/1)
Ind. Tendance(31/12/87)	150.7	150.1	149.5	149.5	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	529.54	526.45	521.33	522.55	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1591.2	1582.5	1567.0	1570.7	1641.60(27/10)	1207.9 (29/1)
DAX (30/12/87)	1277.98	1275.99	1262.55	1259.13	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2668.03	2659.30	2632.68	2625.08	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	582.36	578.92	574.22	573.91	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29541.46	29578.90	29318.30	28983.32	29578.90 (30/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2282.50	2285.75	2269.15	2245.50	2285.75 (30/11)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	273.4	274.0	271.2	270.3	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	241.0	241.4	238.9	238.5	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	421.16	422.34	419.42	420.77	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1003.47	1005.49	1003.37	1002.55	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1367.0	1343.0	1331.0	1330.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1864.0	1856.0	1846.0	1839.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	280.66	281.57	282.23	283.50	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	3181.70	3157.70	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	585.3	583.2	580.9	577.7	585.3 (1/12)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	490.8	487.8	482.9	491.1 (24/11)	401.0 (21/1)

**Saturday Nov. 26: Japan Nikkei 29363.59 and TSE 2273.70
♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 1 December 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	92.2m	771	-15	Japan Line	43.9m	579	+40
Nippon Steel	80.4m	935	-21	Nippon Mining	43.8m	815	+19
Kawasaki Heavy	56.6m	948	-12	Mitsui OSK	33.4m	800	+32
Marubeni	48.0m	772	+23	Mitsubishi Rayon	31.8m	682	+24
Mitsubishi Heavy	45.7m	1,060	-10	Nippon Yusen	31.2m	559	+43

3pm prices December 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A — A — A —								
27⅞	14	AAR	.44	1.9	16	46	22⅞	22¼	22⅜	−⅛
10⅛	8¾	ACM n				92	9	8⅞	8⅞	−⅛
12⅛	10¾	ACMIn	1.26a	11.		279	11⅛	11	11	−⅛
10⅛	10	ACM M n				28	10⅛	10	10⅛	+⅛
12⅛	10⅜	ACMSc	n1.26	12.		569	10⅝	10½	10⅝	+⅛
10⅛	8⅞	ACMSp	n1.01	11.		449	9	8⅞	9	
5⅜	2⅝	AMCA	.12e	3.6		850	3⅜	3⅜	3⅜	
6⅛	3⅝	AM Intl				332	4⅞	4⅝	4⅝	−⅛
23¼	18⅛	AM Int pf	2	9.4		7	21⅜	21⅛	21⅜	−⅛
53¼	26¾	AMR			9	2883	52½	52	52½	
27	25	ANR pf	2.67	10.		2	25½	25½	25½	
9½	5⅞	ARX			10	49	5⅝	5⅜	5⅜	−¼
58¾	35¼	ASA	3a	7.7		107	39⅛	38⅞	38⅞	−¼
20¾	11	AVX	.12e	.8	11	409	16	16	16	−¼
92⅝	42¼	AbtLab	1.20	2.6	14	2719	46¼	45½	45⅞	−⅛
21⅞	15⅝	Abitibi g	1			174	16¼	16	16¼	
13⅞	7½	AcmeC	.40	5.0		44	8	7⅞	8	+⅛
8⅞	5⅞	AcmeE	.32b	5.4	28	32	6	5⅞	5⅞	
29½	12⅞	Acuson			22	244	23¼	22¾	23¼	+½
17	14½	AdaEx	1.82e	12.		109	14¾	14⅝	14⅝	
16⅞	7⅛	AMD			15	5256	8⅛	7½	8⅛	+⅝
43½	28⅜	AMD pf	3	10.		137	29½	28¾	29½	+½
8½	4¾	Adobe				188	6¾	6⅝	6⅝	−⅛
18½	16¾	Adob pf	1.84	11.		10	17⅜	17⅛	17⅜	+¼
21¾	19¼	Adob pf	2.40	12.		20	20½	20½	20½	
9¾	5⅞	Advest	.12	1.7	22	46	7⅛	6⅞	7	+⅛
52½	39⅛	AetnLf	2.76	5.8	6	1074	48	47⅛	47¼	−⅜
34¼	20½	AflPb s	.20	.7		342	29¾	29	29½	+⅜
18⅝	13	Ahmans	.88	5.5	9	1530	16	15⅝	16	
4⅝	1⅞	Aileen				4	3½	3½	3½	
63⅛	30⅝	AirPrd	1.20	3.1	10	4462	39⅛	38⅝	39	
19¾	11⅛	AirbFrt	.60	3.2	18	143	18¾	18½	18⅝	
20	14½	Airlease	2.40	13.	8	40	19	18⅞	18⅞	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅞	9½	SciAtl	.12	1.0	9	206	11¼	11½	11⅝	- ⅛
42⅞	29	ScottP	.80	2.2	7	1826	36⅞	36¼	36½	- ⅜
15¾	11¼	Scottys	.52	4.3	39	41	12¼	11⅞	12⅛	+ ⅛
11⅞	6	ScudNA	.87e	.8		27	9⅛	9⅛	9⅛	- ⅛
29⅞	13	SeaCnt	.35e	1.2	4	380	29½	28⅝	29	- ½
14⅝	11¼	SeaCr pf1.46		11.		10	13⅝	13⅝	13⅝	
17½	15	SeaC pfC2.10		12.		18	17⅛	17⅛	17⅛	+ ⅛
62⅝	39	SeaC pfD4.12		8.0		20	51½	51½	51½	
61¼	40	Seagrm	1.20	2.0	9	2480	59½	58⅝	58⅝	- ⅞
18⅝	12	Seagul				31	14⅞	14	14⅞	+ ½
47½	32½	SealAir	.60	1.4	15	26	44	43⅝	44	+ ½
46¾	29⅝	Sears	2	5.0	10	8712	40	39⅝	39⅝	- ⅛

...

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30	13	ZenithE				1394	19½	19	19⅛	- ⅛
10¾	9½	Zenin n	.80e	8.1		33	10	9⅞	9⅞	
3⅞	1	vjZenLb				336	2⅛	2	2⅛	
21⅝	15⅛	ZenNt	.80b	6.0	7	97	16	15¾	16	- ⅛
17¾	11⅝	Zero	.44	2.7	14	217	16⅛	16	16⅛	+ ⅛
29	15½	Zurmin	.68	2.5	16	558	27⅞	27⅜	27½	
11⅞	8⅞	Zweig	1.04	10.		140	10⅛	10	10⅛	+ ⅛
10⅞	9¾	ZweigT	n.08e	.8		336	9½	9⅛	9½	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PrestdA	.10		2	5⅛	5⅛	5⅛	
ProsCm		1	184	6½	6⅛	6⅛	+ ⅛
ProMed	.42		114	3⅞	3⅛	3⅛	
ProfCre			90	2⅛	2⅛	2⅛	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
VIAmC s	.40	13	95	21½	21½	21½	+ ⅛
ViRsh			109	2	1⅞	2	+ ⅛
WangB	.16	18	5520	8⅛	8⅛	8⅛	
WangC	.11	16	5	8⅛	8⅛	8⅛	+ ⅛
WshPst	1.56	16	17	195½	195¼	195½	+ ¼
Wiltshrd			50	1⅞	1⅞	1⅞	- ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices December 1

Stock	Div.		Sales 100s	High	Low	Last	Chng
Alloa		4	207	7½	7⅛	7½	
AFTxE	1.70		83	17½	16¾	17½	+ ⅝
AWAirl			203	6⅝	6⅛	6½	+ ⅛
ABiokr	.50	7	32	11¾	11½	11½	
AmCity			1	22⅛	22⅛	22⅛	- ⅛

Stock	Div.		Sales 100s	High	Low	Last	Chng
XL Dta		15	81	25½	25	25½	+ ½
XOMA			402	12⅝	12⅛	12⅝	- ⅝
X-Rite s		15	78	10	9½	9⅝	- ⅛
Xicor		11	2145	7⅛	6⅞	7	
Xyvsn			278	4⅛	d 3⅞	3⅞	- ⅛
YelowF	.70	20	1171	33⅛	32⅜	33⅛	+ ⅜
ZionUt	1.44		78	23⅛	22⅞	23⅛	+ ½

Continued on

AMERICA

Economic uncertainty upsets Dow

Wall Street

UNCERTAINTY over whether the economy was slowing down or continuing its rate of growth saw stocks trading lower on Wall Street for the first time this week, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was down 7.82 points at 2,106.69 in moderate volume.

The release of the Commerce Department's composite index of leading indicators had little impact on the market as the increase of 0.1 per cent in October was in line with expectations.

Analysts had anticipated a pause in the stock market rally from mid-November lows. However, they said there was reason to believe that the trend of the market was still upward, given that eight of the previous nine sessions had closed higher.

The lower prices on the New York Exchange paralleled stock movements in Europe, where US shares traded lower amid scepticism that today's jobless figures would give support to the recent rally.

Conversely, the bond market was relatively quiet during morning trading, with the Treasury's benchmark long bond up only ⅛ point to 99⅞, a price at which it yielded 9.048 per cent. Federal Funds rose to 8¾ per cent as the Federal Reserve proved less generous in supplying liquidity than in the past few days.

Long-term interest rates were expected to remain relatively stable until the release of November's unemployment data today. Analysts do not anticipate an increase in the Federal discount rate unless payroll employment rises by more than 250,000.

The dollar eased in the early morning in New York, with traders said to be disenchanted by the Government's apparent lack of interest in supporting the currency. By early afternoon, however, the US currency had recovered to the previous day's level of Y121.55.

RJR Nabisco was again the most actively traded stock on the New York Stock Exchange, with mid-morning volume of 3.7m. Shares in the company slipped $¾ to $92⅞, following an announcement that RJR had accepted an offer by Kohlberg, Kravis, Roberts, the biggest US leveraged buy-out firm, of $109 a share in cash and securities. Arbitrageurs expressed doubts about the true value of the deal, as much of the payment was to be made in non-cash securities.

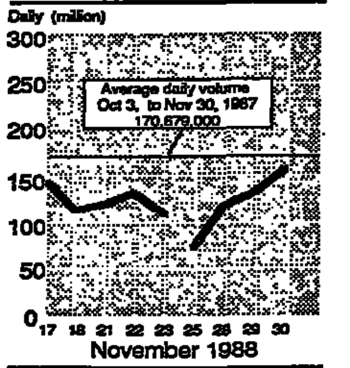
American Telephone and Telegraph, the world's largest telecommunications company, saw the second highest volume of shares traded after an announcement of a $6.7bn pre-tax charge, which would result in the company's first annual loss. The charge, which is to cover write-downs in the value of the company's obsolescent analogue switching equipment, had been forecast by the company, but AT&T's shares fell $¼ to $29½.

General Cinema, one of the largest US cinema operators and the leading independent Pepsi-Cola bottler, picked up $1⅛ to $23⅝ after the announcement of a $1.5bn acquisition of the company's soft-drink bottling business by PepsiCo.

The General Cinema news pushed shares higher in Neiman Marcus Group, the up-market US retailer, which surged $1⅛ to $16¾, and Cadbury Schweppes, the confectionery, soft drink and food producer, up $1¼ at $64⅝. General Cinema is a leading shareholder in both companies and could be preparing to bid for one of them.

However, the acquisition had a less bullish effect on PepsiCo shares, which traded $2 lower at $38⅞.

NYSE Volume



Canada

CONCERNS about rising interest rates faded as Toronto shares made small gains in thin early trading. Base metal issue rises offset falls by golds and industrials. Energy issues were mixed on a slight rise in the price of crude oil in New York. The composite index rose 3.2 to 3,298.0 on turnover of 4.9m shares.

US institutions plump for ADRs

The units are overtaking home indices, writes Patrick Harverson

AMERICAN Depositary Receipts are proving the flavour of the season among US institutions this autumn. In the past three months demand for ADRs, the packages of foreign shares sold directly to US investors on Wall Street, has risen sharply as US institutions look to non-US equities to provide the earnings potential lacking in New York.

ADRs have significantly outperformed both the FT-SE all share index and the S&P Composite index since September, according to the US broking house Salomon Brothers, which compiles an dollar-based ADR index. The ADR index has climbed by 13.8 per cent, the FT-SE all share by 0.6 per cent and the S&P by 2.4 per cent.

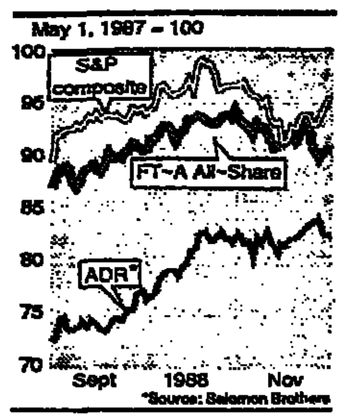
A striking example of the fresh demand for ADRs was seen in the October 26 flotation of UK's Racal Telecommunications Group. Such an issue would usually have witnessed a "flow-back" of the floated stock to the UK as American ADR holders sold to London institutions. However, the Racal issue saw an unusually large "flow-in" of stock to the US after UK institutions began selling the shares as ADRs.

The dollar exchange rate has probably been the most influential factor in the recent renaissance of ADRs. September to November is the season when European companies report results and pay out dividends. The dollar's weakness against the main European currencies in this period meant American investors benefited from having their ADR dividends – which are based on local currency earnings – translated into dollars.

Another influence, said Mr Michael Howell, equities strategist with Salomon Brothers in London, has been the growing perception among US investors that nearly all the ADRs listed or quoted in New York are undervalued. The London market has been outperformed by New York this year, making UK stocks such as Glaxo and ICI look cheap against US issues.

The autumn promotional push in Europe launched by US stock exchanges has also helped. The London office of the NYSE, opened in October, was set up to persuade European corporations to launch ADRs and take advantage of greater US demand for European equities.

"US institutions have a growing appetite for non-US securities," said Mr Robert Britz of the NYSE. The statement is backed up by an October survey by Broadgate Consultants of the US showing that 58 per cent of US mutual funds interviewed preferred to invest in non-US equities through ADRs rather than directly via foreign markets.



ASIA PACIFIC

Nikkei dips lower on profit-taking

Tokyo

PROFIT-TAKING in large-volume issues and a shift of interest to recent laggards left share prices mixed in active trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average fluctuated throughout the day, rising to a high of 29,683.74 and dipping to a low of 29,531.76 to close down 37.44 at 29,541.46. However, advances led declines by 494 to 390 while 184 issues were unchanged.

Volume was strong at 1.54bn shares, though moderately lower than the 1.62bn traded on Wednesday. The TOPIX index of all listed stocks lost 2.35 points to 2,282.50, while Japanese shares rose in London, leaving the ISE/Nikkei 50 index up 2.67 at 1,868.07.

"The mood on the market is still very good," said Mr Yoshio Shimoyama at Nikko Securities. The indices declined mainly because large volume shares were taking a rest. Buying was spread across a wide range, as investors concentrated on smaller stocks that have underperformed, but the overall positive atmosphere was reflected in the greater number of gains than losses, Mr Shimoyama said.

Others, however, were not completely convinced. Yesterday's performance indicated to one analyst at least that "there is no cause for complacency in the market." The less optimistic position warns that higher interest rates are still a potential threat and that unemployment figures for Japan and the US expected today could well point to an inflationary trend.

A front page newspaper report that Chiyoda, a plant engineer, will participate in a big refinery construction project in Iran, together with several trading houses, sparked interest in these stocks, even though the story has been known for some time. Chiyoda advanced Y100 to Y925 and the trading houses concerned all posted gains, with Mitsui and Co firming Y15 to Y950, Mitsubishi Corp rising Y20 to Y1,370, Sumitomo adding Y20 to Y1,210 and Marubeni rising Y23 to Y772 in heavy trading.

Investors also focused on low-priced issues, particularly shipping companies which were seen as underpriced in comparison with steels and shipbuildings. They are also benefiting from an uptrend in the tanker market, and improved profitability. Heavy trading drove Japan Line up Y40 to Y579, Nippon Yusen Y43 higher to Y559 and Mitsui O.S.K. Lines Y32 up to Y800.

Large-capital steels and shipbuildings lost on active profit-taking. Sumitomo Metal, which rose during the day to a new high of Y794, up Y8, closed down Y15 at Y771 in the session's most active trading of 92.2m shares. The recent interest in Sumitomo Metal partly stems from speculation that the rebuilding of Iran would increase demand for its seamless steel pipes.

In Osaka, interest in low-priced issues supported the OSE average which rose 122.93 to 27,669.25. Volume firmed to 196m shares from 154m.

Roundup

THE OTHER main Asia Pacific markets closed mixed, with interest rate concerns still dictating events in Australia and Singapore.

AUSTRALIA fell for the fourth consecutive session as worries over interest rates and currencies overshadowed the overnight gains in New York. The All Ordinaries index dropped 15.0 to 1456.5, a six-month low, with mining stocks among the hardest hit.

Cadbury Schweppes rose further above the $4.25-a-share offer from its UK parent, adding 3 cents to A$4.38 in active trade.

Woolworths fell 4 cents to A$3.61 on confirmation that Industrial Equity, off 4 cents at A$1.35, had a controlling stake in the retailer. Le Fort Capital Corp rose 5 cents to 55 cents on its first day of trading.

HONG KONG was led higher again by property stocks, with the Hang Seng index adding 8.73 to 2,668.03. Turnover was little changed from Wednesday, at HK$1.17bn worth of shares against HK$1.13bn.

In properties, Swire A was the day's most active stock, gaining 30 cents to HK$19.

Trading resumed in Sun Hung Kai Properties, up 30 cents at HK$12.10, and New Town, 55 cents higher at HK$6.40, after the news that Sun Hung Kai planned to privatise New Town.

SINGAPORE eased amid uncertainty over interest rates although turnover received a fillip from large block deals in specific stocks. The Straits Times Industrial index gave up 2.02 to 1,003.47 and volume rose to 15.7m shares from 12.6m.

Hong Fok lost 9 cents in early trading after saying it had not sold its Fortress Tower office building in Hong Kong, but picked up later to end 2 cents higher at S$1.58.

EUROPE

Switch from bearers buoys Zurich

EARLY gains on the main European bourses were trimmed by profit-taking, leaving a mixed picture at the close. Zurich benefited from continued speculation on possible share liberalisation, *writes Our Markets Staff.*

ZURICH had a lively session as speculation continued on whether other companies might join Nestlé in opening up their registered shares to foreigners. The Crédit Suisse index rose 1.6 to 511.9.

The session saw active switching from a company's bearer stock to participation certificates. One salesman said holders of PCs that were now trading at a discount to registered stock would benefit if there were further liberalisation moves, as the PCs would follow the registered up. Bearers, meanwhile, were bound to fall.

The switching trend was seen in insurances. Winterthur bearers lost SFr150 to SFr4,450 while the PCs gained SFr24 to SFr680. The PCs were still trading at a discount to the registered, which lost SFr60 to SFr3,290.

There was a similar pattern in insurer Zurich. The share types have different nominal values and this has to be considered when calculating premiums and discounts.

FRANKFURT ran into profit-taking after a firm start, leaving prices marginally higher. Most of the action was in the big liquid stocks and foreign buying helped to swell turnover to a modest DM2.5bn.

The stable dollar and Wall Street's better tone on Wednesday underpinned gains, but there was also a hint of nervousness before today's US employment data. The FAZ at midsession rose 3.09 to 529.54 and the DAX ended off highs at 1,277.98, a gain of just 1.99.

Deutsche Bank rose DM3.80 to DM517.80 in anticipation of better 10-month figures, due in about two weeks' time, and the possibility of a rights issue to fund its expansion plans and stoke up its capital ratios.

Dresdner came off 40 pfg to DM295.80 after reporting a 1 per cent fall in its 10-month figures on Wednesday. The results were described as "rather disappointing" by one analyst, who added the bank's diversification plans did not entail anything radically new.

Electronics company Nixdorf, for which brokers have sharply downgraded their earnings forecasts, fell DM14 to DM313. Siemens, investigating the possibility of repairing a damaged Iranian nuclear reactor, rose DM1.50 to DM481.50.

In the capital goods sector, MAN rose DM4 to DM226 on news of good order inflow at steel trading subsidiary Ferrostahl. Mannesmann was up DM3.20 at DM193.10 on Wednesday's announcement that it would increase its investment budget by 50 per cent next year.

Share turnover on the eight West German bourses fell to DM55.9bn in November from DM81.9bn in October, the Federation of German Stock Exchanges said.

PARIS saw interest focus on holding company Occidentale Générale as speculation grew that it would soon announce a significant acquisition.

The market as a whole remained lacklustre, however. The CAC General index rose 1.4 to 392.3 and the OMF 50 index finished 1.14 lower at 406.98. Any fears of an immediate rise in interest rates were quelled when the Bank of France left its key intervention rate unchanged at 7¼ per cent.

Occidentale jumped FFr19 to FFr812 on volume of about 60,000 shares. Thomson-CSF put on FFr3.50 to FFr201.50 after Wednesday's news of its venture with Aerospatiale.

AMSTERDAM was depressed towards the close by early falls on Wall Street and a decline in the dollar against the guilder. The CBS all-share index shed 0.3 to 99.1.

Holland America Line rose Fl 157 to Fl 1,350 on speculation about its net asset value following the sale of its tourism business to Carnival Cruise Lines of the US, for which it says it will make a $400m profit. Nedlloyd eased Fl 2.70 to Fl 235.80 after rising steeply this week on suggestions it might become a bid target for Holland America.

MADRID succumbed to further profit-taking and the general index lost 0.91 to 280.66 in low volumes.

Union Explosivos Rio Tinto, reporting Pta 6.3bn profits for the first nine months against Pta 528m in the same period last year, lost 9 points to 299 per cent of par. The profits rise came from an extraordinary profit of Pta 9.7bn, but this was an accounting item rather than a cash flow item – arising from the cancellation of debt obligations – and the company was thus actually in the red, said analysts.

MILAN was helped higher by foreign demand for blue chips and the Comit index ended 3.44 up at 582.36. Among insurers, La Fondiaria rose L950 to L70,000 and Unipol climbed L875 to L19,075 amid continued talk that the latter faced a possible hostile takeover.

STOCKHOLM was helped higher by recent positive corporate results, with the Affärsvärlden index up 5.9 at 962.6.

Asea B free shares rose SKr7 to SKr380 before ABB, which it owns jointly with Switzerland's Brown Boveri, released nine months profits slightly below forecasts.

BRUSSELS saw a continued small recovery in the shares of Fabrique Nationale and Gechem, which had plummeted in recent sessions in response to recapitalisation plans. FN added BFr78 to BFr628 and Gechem put on BFr48 to BFr678, both in active trading. The cash index lost 6.02 to 5,355.

SOUTH AFRICA

PLATINUM issues led a general stock market advance in Johannesburg yesterday as the price of platinum rose further. Impala gained R2.25 to R37.50 and Rustenburg added R2 to R49.25.

Gold shares also ended higher, on the improvement in the bullion price.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE October 1988	% Change on Sept (Dollar terms)	% Change on Dec 31 '87 (Dollar terms)	October 1988	% Change on Sept (Local currency terms)	% Change on Dec 31 '87 (Local currency terms)	TOTAL RETURN October 1988	% Change on Sept (Dollar terms)	% Change on Dec 31 '87 (Dollar terms)
Latin America	(152)	138.8	-4.8	60.8	-	–	–	178.4	-4.2	72.8
Argentina	(24)	204.3	-20.0	49.6	16,790.0	-19.9	533.9	224.7	-19.8	58.5
Brazil	(57)	80.0	-2.6	77.0	11,402.7	25.6	1059.3	106.1	-2.1	93.6
Chile	(25)	417.1	-7.8	11.5	796.4	-7.5	18.5	626.1	-7.1	23.5
Mexico	(46)	323.3	-0.9	84.7	3,863.0	-1.0	94.0	417.4	-0.3	93.4
Asia	(207)	296.5	-14.3	79.9	-	-	-	362.9	-14.2	87.5
Korea	(62)	377.5	8.5	53.8	321.4	6.6	36.2	616.7	9.0	68.8
Malaysia	(62)	106.8	3.7	19.8	117.6	3.2	28.6	123.8	4.3	26.4
Taiwan	(64)	807.8	-25.0	138.4	583.0	-26.2	138.2	879.9	-25.0	141.3
Thailand	(19)	236.3	-4.3	41.6	219.1	-5.6	41.5	384.6	-4.3	51.9

Source: International Finance Corporation. Base date; Dec 31,1984.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	WEDNESDAY NOVEMBER 30 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	TUESDAY NOVEMBER 29 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (91)	146.42	−0.4	117.31	111.27	4.88	146.97	117.62	111.44	152.31	91.16	98.79
Austria (17)	97.98	−0.4	78.50	88.39	2.44	98.37	78.73	88.28	100.00	83.72	93.01
Belgium (63)	133.15	−0.2	106.68	120.18	4.21	133.45	106.80	119.79	139.89	99.14	98.43
Canada (125)	121.72	+1.0	97.52	104.76	3.36	120.54	96.47	104.26	128.91	107.06	103.79
Denmark (39)	153.56	+0.2	123.02	139.67	2.17	153.32	122.70	138.93	153.98	111.42	112.36
Finland (26)	138.23	+1.4	110.75	118.62	1.41	136.31	109.09	117.12	139.53	106.78	–
France (130)	110.77	+0.1	88.75	103.08	3.15	110.66	88.57	102.38	112.05	72.77	84.23
West Germany (102)	86.36	+0.4	69.19	77.94	2.39	85.98	68.81	77.19	88.21	67.78	75.84
Hong Kong (46)	110.10	+1.1	88.21	110.31	4.68	108.90	87.15	109.14	111.86	84.90	81.70
Ireland (18)	130.24	−0.6	104.34	119.36	4.18	130.99	104.83	119.31	144.25	104.60	99.74
Italy (98)	85.43	+0.5	68.44	81.86	2.47	85.03	68.05	81.15	86.73	62.99	80.24
Japan (456)	190.15	+0.5	152.34	146.52	0.51	189.28	151.48	145.31	190.75	133.61	139.61
Malaysia (36)	140.55	+0.3	112.61	144.77	2.95	140.18	112.19	144.12	154.17	107.83	100.40
Mexico (13)	179.36	−0.4	143.70	448.50	1.14	180.05	144.09	450.21	182.24	90.07	115.92
Netherland (38)	109.52	+0.3	87.74	97.90	5.04	109.24	87.43	97.10	111.00	95.23	92.46
New Zealand (25)	70.53	+0.5	56.51	57.13	6.91	70.16	56.15	56.88	84.05	64.42	76.85
Norway (25)	127.15	+1.1	101.87	111.87	2.59	125.78	100.66	110.71	132.23	98.55	101.22
Singapore (26)	119.93	−0.4	96.08	107.60	2.52	120.43	96.38	107.67	135.89	97.99	91.48
South Africa (60)	122.81	−3.4	98.39	98.05	4.69	127.11	101.73	96.65	139.07	98.26	147.19
Spain (42)	151.99	−0.4	121.77	130.23	3.14	152.62	122.15	130.54	164.47	130.73	118.21
Sweden (35)	136.00	+0.7	108.96	121.25	2.36	135.11	108.13	120.26	137.43	96.92	91.71
Switzerland (57)	79.33	−0.8	63.56	71.47	2.38	79.99	64.02	71.66	86.75	74.13	80.31
United Kingdom (318)	138.95	+0.3	111.33	111.33	4.73	138.59	110.92	110.92	141.51	120.66	117.73
USA (577)	111.45	+1.0	89.29	111.45	3.66	110.40	88.35	110.40	115.55	99.19	95.16
Europe (1008)	115.01	+0.2	92.14	98.70	3.76	114.79	91.87	98.20	116.61	97.01	97.17
Pacific Basin (680)	185.11	+0.4	148.30	143.48	0.74	184.29	147.49	142.34	185.75	130.81	135.84
Euro–Pacific (1688)	157.05	+0.4	125.82	125.71	1.64	156.48	125.23	124.82	158.08	120.36	120.40
North America (702)	111.99	+1.0	89.73	111.06	3.64	110.93	88.78	110.04	116.07	99.78	95.62
Europe Ex. UK (690)	99.97	+0.1	80.10	91.03	2.99	99.85	79.91	90.47	101.29	80.27	84.42
Pacific Ex. Japan (224)	124.88	+0.1	100.06	105.17	4.76	124.74	99.83	104.91	128.27	87.51	90.26
World Ex. US (1886)	155.49	+0.4	124.57	124.88	1.71	154.94	124.00	124.00	156.39	120.26	120.11
World Ex. UK (2145)	138.58	+0.6	111.02	121.26	2.05	137.80	110.29	120.26	138.58	111.77	109.75
World Ex. So. Af. (2403)	138.69	+0.6	111.11	120.46	2.28	137.92	110.38	119.52	138.69	113.26	110.21
World Ex. Japan (2007)	113.78	+0.6	91.15	106.55	3.74	113.10	90.52	105.76	115.54	100.00	96.48
The World Index (2463)	138.59	+0.5	111.04	120.31	2.29	137.86	110.33	119.37	138.59	113.37	110.44

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.